

Midsize Law Firms Are Balancing Potential and Pitfalls in Charting an Unpredictable Path Forward



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Executive Summary

Affinity Consulting, iManage, and SurePoint engaged Ari Kaplan Advisors to speak to leading law firm chief financial officers, chief operating officers, chief information officers, and executive directors to better understand how generative AI, data and financial intelligence, technology adoption, and training are shaping the next generation of legal services. Between July 23, 2025, and August 15, 2025, Ari Kaplan spoke with 31 law firm leaders. The firms represented had a median of 100 lawyers and 210 total professionals.

100

Median number
of lawyers.

210

Median number
of professionals.

Generative AI is Expected to Become Ubiquitous, But it is Still Developing

Sixty-three percent of the participating leaders work at firms that have officially adopted generative AI, with nearly half (42%) citing Microsoft Copilot alongside other well-known tools. Forty-four percent of the participants stated they could bill for work driven by generative AI,

63%

Work at firms that have
officially adopted
generative AI.

Leaders Are Honest About the Future, Which Offers Opportunities Despite the Change

52%

Work at firms that
have eliminated roles
due to technology.

More than half (52%) of the participants acknowledged that their firms have eliminated roles due to technology in general, and only 3% have eliminated roles specifically because of generative AI. However, several participants anticipate that generative AI will affect staffing in the near future, and many firms are streamlining their teams as job openings naturally occur.

The Fear of Generative AI is Subsiding, But Users Remain Cautious

Eighty-one percent of participants report that a fear of generative AI still exists at their law firms, but it is less about job security and more about the technology's reliability. Although there is widespread recognition of the need to pivot, most leaders remain optimistic about the future of legal practice.

81%

Report a fear of generative AI at their firms.

Knowledge Management and Training are Essential for Progress

42%

Acknowledged a fear of generative AI in their legal department

45% of respondents noted that the emergence of generative AI has influenced their firm's approach to managing its knowledge to provide better source data for large language models. Forty-two percent of the participants work at law firms that have changed their training because of artificial intelligence. Besides using generative AI for training, many participants are also providing programs on how to effectively utilize the technology in their daily work.

Legal Technology Provides Fundamental and Widespread Benefits

There was widespread appreciation for the advantages of legal technology. Ninety-four percent of participants said it helps increase revenue and improve client service, while 81% said it helps drive law firm growth and retain talent.

81%

Legal technology drives law firm growth and helps retain talent.

Midsize Law Firms Are Embracing Automation

74%

Reported that automation is transforming work in law firms.

Seventy-four percent of participating leaders said that automation is transforming how work is done in law firms. Seventy percent reported automating document creation, 60% automate email filing, and 53% automate data extraction.

Financial Intelligence is Enabling Data-Driven Decision-making

Sixty-three percent of the lawyers at the firms they represent use data such as financial metrics and performance insights to manage and grow their practices. Nearly a third (32%) see technology affecting their billing model, but none have actually changed it because of technology.

63%

Work at firms whose lawyers use financial metrics.

The Relationship Between Law Firms and Their Clients is Evolving

68%

See the relationship between law firms and in-house teams evolving.

More than two-thirds (68%) of respondents see the relationship between law firms and in-house teams evolving. Clients are much more focused on progress updates and are expanding their capabilities to handle more tasks internally. Clients are also pushing firms to become more advanced users of emerging tools.

Preparing for a Future with Pitfalls

Essentially, all respondents (97%) are preparing their law firms for the future, and 68% believe that AI will reshape how legal work is done in law firms. Forty-two percent are rethinking how legal services are delivered.

42%

Are rethinking the delivery of legal services.

Law Firm Leaders Are Balancing the Promise and Perils of Change

90%

Are building a modern, efficient tech stack.

90% of participants reported building a modern, efficient technology stack, and only 6% indicated that their firm is comfortable taking no action at this time. Several identified the most significant risks of inaction as loss of competitiveness, fewer business development opportunities, and obsolescence.

Introduction

Generative AI, data and financial intelligence, technology adoption, and training are shaping the next generation of legal services. This research, featuring the perspectives of law firm chief financial officers, chief operating officers, chief information officers, and executive directors, specifically highlights trends, opportunities, and challenges facing midsize law firms, which are experiencing both promising growth and risky decisions about their future. Technology is enabling scalability and offering new options for practice diversification, and expansion, but generational gaps and strategic planning lead many firms to proceed cautiously. They recognize they will need to adjust their course in new and unpredictable ways. They are also facing difficult questions about talent, staffing, and the business of law as artificial intelligence becomes increasingly capable and dependable.

”

As a midsize firm, we are definitely trying to future-proof our technology and make smart investments because we don't have the same-sized budgets as a larger firm.

- Chief Operating Officer, 120-Lawyer Firm

”

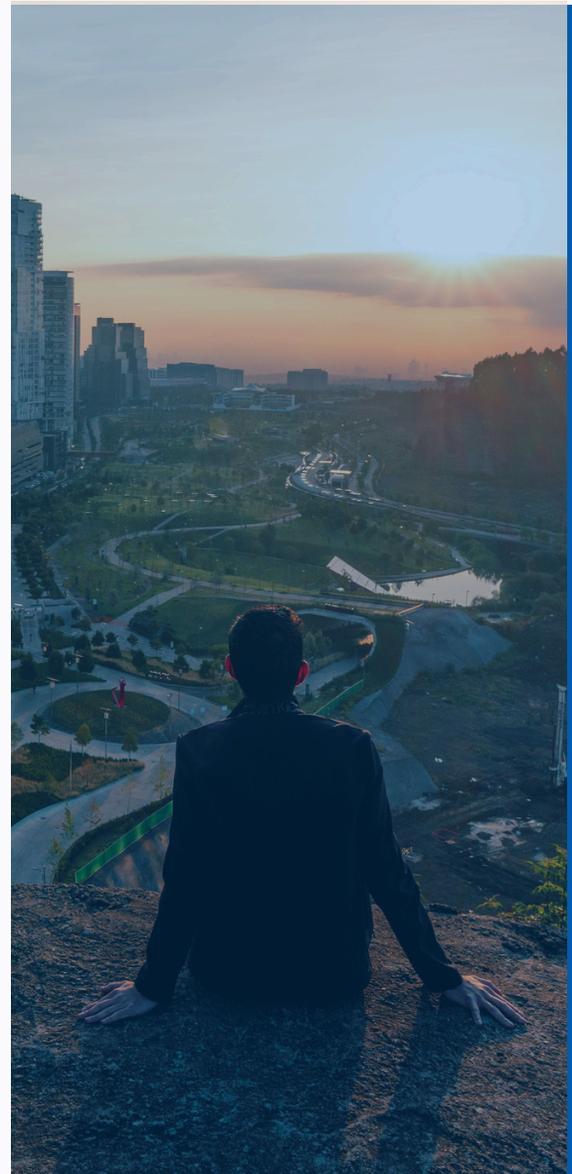
Most firms of our size are still vetting AI programs.

- Chief Operating Officer, 250-Lawyer Firm

”

Technology delivers efficiencies and enables scalability, which is particularly valuable in a midsize firm that needs to operate in a more nimble way to remain competitive.

- Chief Information Officer, 95-Lawyer Firm



Generative AI is Expected to Become Ubiquitous, But it is Still Developing

Sixty-three percent of the participating leaders work at firms that have officially adopted generative AI, with nearly half (42%) mentioning Microsoft Copilot along with other well-known tools. “We are intensely interested in AI and exploring it in various forms,” said one chief information officer. “We are cautiously dipping our toes into the use of generative AI,” responded a chief operating officer. That difference in approach characterized many of the responses.

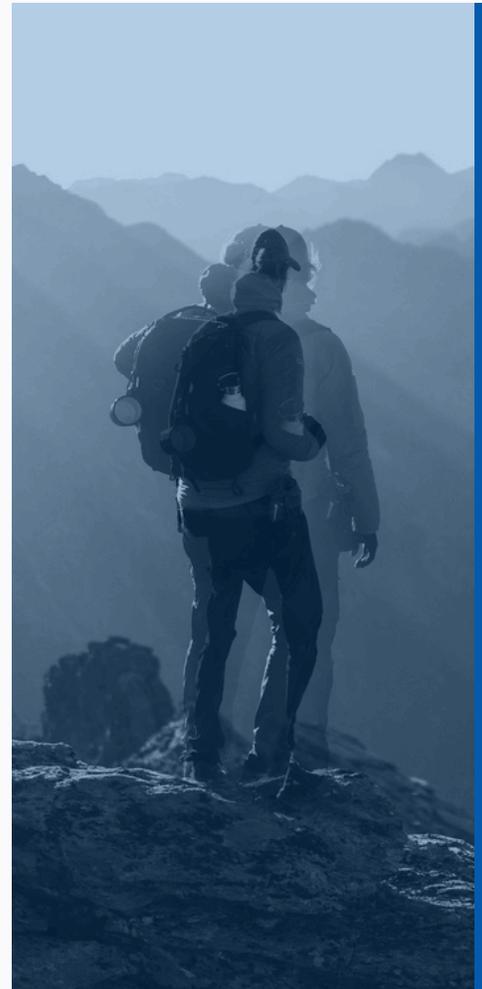
42%

Use Microsoft Copilot along with other well-known tools.

Law Firms Are Balancing Enthusiasm and Caution

Enthusiasm for generative AI is strong, but “It is challenging at this stage to determine where fantasy ends and fact begins,” said one participant. There is usage and exploration, but some firms remain unsure about their tool choices and use cases. “Most firms of our size are still vetting AI programs; no one I know is using a generative AI tool on a regular basis, as they are playing with different products,” explained another leader. “A committee is evaluating and cautiously testing tools to minimize risk,” added a colleague. “We struggle with implementing our generative AI restrictions, and the hardest part is getting people to use the technology to ensure they are engaged,” noted another.

Others see being an early mover as a distinguishing characteristic. “The firm has four main departments and is trying to encourage each to identify a use case,” said one. “We understand the power of AI, and a lot of our matters require us to face lawyers in large law firms as adversaries, so we want to be ahead of the curve; more midsize firms might take a more conservative approach, but we have a very young group of lawyers at the firm, which is energetic, tech-forward, and plugged into what our competitors are doing,” added a peer. “We know that it will be a big, upfront expense ... and we are willing to invest in the technology on the front end because if we don't, we will fall behind,” offered a third.



The most common use cases include document review, even of complex medical records, legal research, drafting, which involves more complicated clauses such as unique sections of a trust document, and administrative tasks like marketing and preparing RFPs for health insurance quotes. These are other examples that the participants shared:

● Document Analysis.

"The use cases for litigators may include drafting a chronology or a first-level document review, and in a transaction, it may be for due diligence."

● Summarization.

"Many of the firm's professionals are using it to summarize documents and for smaller e-discovery matters, particularly in cases with large volumes of information due to size restrictions," said one leader. "One lawyer also used it to create an outline of a closing argument based on the trial transcripts," offered a peer.

● Tracking Developments.

"Agentic AI is great for monitoring changes in the law; we used to have to pay a legal research company to do this work to remain current on developments."

● Strategy.

"The game-changer on the backend is not the agentic work, which, while cool and will save the firm money, it is on studying more of the record in litigation to develop a stronger strategy."

Billing for AI-Enabled Work Remains a Point of Uncertainty

Forty-four percent of the participants stated they could bill for work driven by generative AI, but one CIO emphasized that "You cannot bill more time than it takes to use it." A chief operating officer further clarified that "Since it is not replacing a human being, there is nothing to bill for yet."

The expectation is that billing for this work will become more widespread and accepted. "We will eventually bill for it, since it starts with a human and ends with a human," said one leader, who added that "Using generative AI is similar to using a first-year on a project." Still, "We are struggling with how to structure and pay for this," was a common refrain.

For now, the consensus is that many midsize firms are billing for the time spent reviewing work that could be partly generated by AI, but not for the work performed by AI itself. "We bill for reviewing drafts created by generative AI tools, but we do not charge for the work the tool performs," said one leader. However, one noted that "We have established a separate, lower, blended rate for the use of generative AI in lieu of a human, with human oversight."

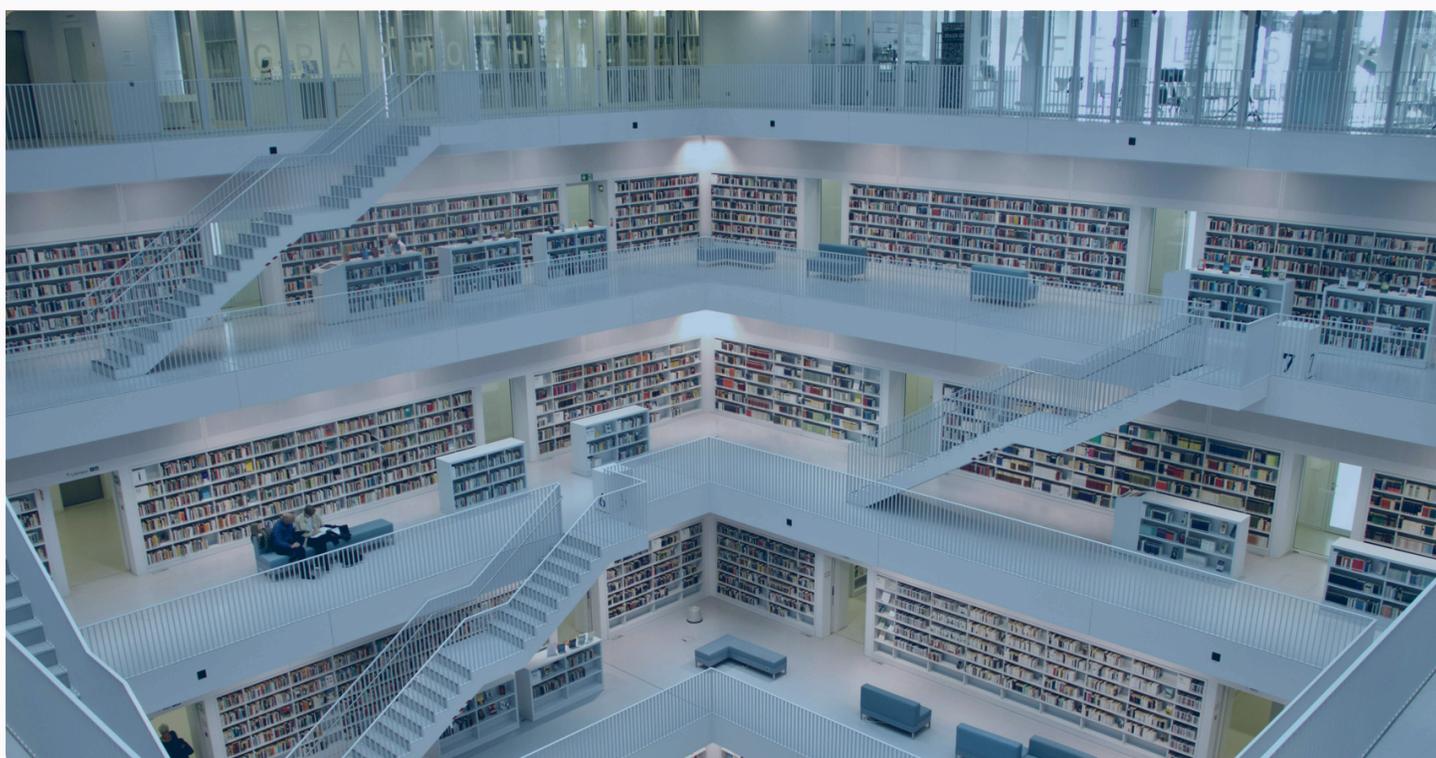


Of course, under a non-billable-hour arrangement, several firms highlighted the benefits. “We have created tools for estate planning where generative AI creates documents that attorneys review, but it will typically be on an alternative fee basis and not hourly; we have more ideas for doing fixed-fee work,” said a leader. “Fixed-fee work is a safe area to start using generative AI,” noted a peer.

Some view it similarly to legal research. “Clients will ultimately treat generative AI like legal research and expect law firms to treat the cost as overhead, rather than a pass-through cost,” predicted a participant. “We don't bill for legal research or any other tools we use to enhance the quality or efficiency of our work, but we have incrementally raised our rates to reflect the increased investment required for our work, including AI,” added another, who acknowledged “we are indirectly billing for the use of these tools by raising our rates.”

There was also recognition that some projects might lead to lower revenue for the firm. “We are a billable-hour office, and we can bill for the work performed by generative AI as long as you are remaining within ethical guidelines, which are restricted to the hours worked for a specific client; if generative AI takes less time on a billable-hour project, we need to lose those hours,” said one. “You need to be careful because you do not want to cannibalize your billable hours,” cautioned another.

Several emphasized the importance of full transparency and client approval, regardless of how the firm calculates fees. “We would need to disclose the use of generative AI to bill for it; once we utilize it more effectively on client work, we can be more transparent with clients and update our engagement agreements to reflect this effective usage,” advised one leader. “We are working on determining the type of disclosure that will be required for the use of generative AI; more and more clients are requiring usage, so the dominoes are falling,” said another. “Policies will be challenging, and we are waiting for the professional liability carriers to assess liability and lawyer responsibility for using generative AI,” offered a third.

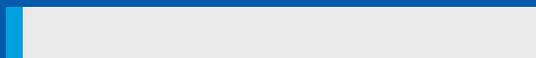


Leaders Are Honest About the Future, Which Offers Opportunities Despite the Change



52%

Have eliminated roles due to technology.



3%

Have eliminated roles because of generative AI.

While more than half (52%) of the participants acknowledged that their firms have eliminated roles due to technology in general, only 3% have eliminated roles specifically because of generative AI. So far, “It helps us with substantive work that results in greater client satisfaction and eliminates specific manual processes, but it does not reduce the volume of work,” explained a responding leader.

However, several participants anticipate that generative AI will affect staffing in the near future. “We are being careful there; we don't want to message that generative AI will eliminate roles, but if we are honest, that is a likely evolution,” cautioned a CIO, who explained that “Some jobs will shift, rather than be eliminated, so you will either need to add a new skillset or move on.”

More specifically, “We are looking at how agentic AI bots can streamline the workflows of back-office functions,” noted one leader. “We are piloting the use of an intake system to take, record, and transcribe calls in lieu of humans so we may replace individuals,” another advised. “We have automated certain IT roles by automating routine processes like employee onboarding, which is now done using AI agents; we have automated workflows for resume review, and use a Copilot agent to match the job description to a resume, so we are asking AI to review a resume, follow a person's profile, and use that information with agents to run background checks and create different accounts based on that information, replacing administrative staff with agents,” said a third.

Many firms are streamlining their staffing as job openings naturally occur. “ We don't anticipate that we will eliminate roles, but in the future, we will not replace people as they retire or leave the firm,” explained a chief operating officer. “We have continuously reduced the ratio of support staff to professionals, and are less likely to replace retiring administrative professionals,” offered a peer. “We have not eliminated staff, but we may not need to hire as many people,” noted a colleague.

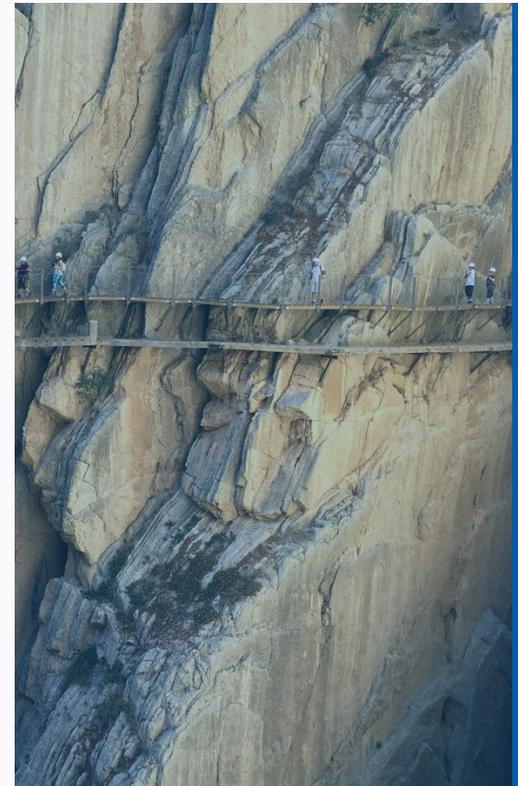
Compared to previous years, the 2025 research highlights specific trends affecting lawyers and paralegals, not just support staff. “I don't think it will impact the number of attorneys, but the skillset of those attorneys is changing; we are not likely to hire fewer associates, but the work an attorney will do will change, and the balance of time and activities will shift,” said a leader. “We do not anticipate layoffs, but as we grow, the need to hire more junior associates or summer associates will likely be affected by generative AI, especially as it develops,” offered another. “We will not roll out AI and fire 10 lawyers, but through attrition, we might not fill the roles of certain lawyers, which could reduce our overhead in lawyers,” noted a third.

The Fear of Generative AI is Subsiding, But Users Remain Cautious

Eighty-one percent of participants report that a fear of generative AI still exists at their law firms, but it is less about job security and more about the technology's reliability. While in 2024, there was a fear of the unknown and the potential consequences of that uncertainty for job security, this has shifted. “The fear has subsided as people have become more comfortable using it, and familiarity has alleviated their fear of the unknown,” said one leader. “The fear is associated with the quality and ethics of using AI, but not about job loss, which seems premature,” explained another. “The fear is not of AI itself; the concern is that people will rely on AI itself without verification in the production of work, potentially leading to malpractice claims,” concurred a peer.

81%

Report that a fear of generative AI still exists at their law firms.



There is also anxiety about skill dilution. “There is concern about the erosion of writing ability and critical thinking when you do not need to generate anything and simply focus on editing,” said a participant. “Associates may lose their analytical skills by relying on generative AI; learning to be a litigator, for example, is changing because there is a lower need to fully review and analyze the record because the technology is so good at providing summaries,” noted a peer.



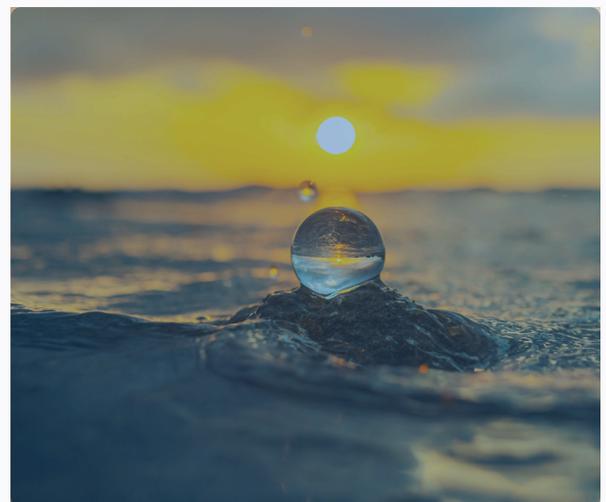
Some perspectives are counterintuitive and differ from a year or two ago. "Some older rainmakers are advocating for generative AI, while some younger professionals are concerned about its impact on their careers," noted one leader. "I don't know if there is fear yet among junior lawyers or paralegals, but there should be," cautioned another. "There are some generational differences, but it is not always an age factor; in general, the senior seasoned lawyers are skeptical of the quality of the output of generative AI," offered another.

One participant described the question of fear as a 'loaded' one because of the practical implications of expanding generative AI. "The shareholders and higher-level managers are concerned about the impact of generative AI on the billable hour, as it requires greater agility to provide value-added services and compensate for lost hours; the fear is not just about generative AI; it is about the metamorphosis of the firm, as a result of its use because changing the paradigm of how a firm operates is difficult to imagine."

Others shared this view. "There is concern ... that the firm may not make as much money, since most of its work is based on an hourly fee," a peer agreed. "Lawyers are also fearful of having billable work replaced and losing a competitive advantage by remaining unfamiliar with it," said another. "The fear is revenue erosion because when we piloted generative AI, the average employee estimated that it saved them three hours per week, which could result in revenue loss," concluded another.

Despite the Need for Change, Optimism Abounds

Although there is widespread recognition of the need to pivot, most leaders remain optimistic about the future of legal practice. "We are talented people and will adapt, so I am not afraid, but it might mean that people will need to change their practices to be successful, and lawyers dislike change," said one participant. "There are as many people fearful of it as there are those excited by the opportunity," added a peer. "People don't know what they don't know; if they spent a little time using generative AI, they would be much less fearful," advised a third. Ultimately, "It is more of a fear of change management," concluded a respondent.



Knowledge Management and Training are Essential Elements of Forward Progress

To build trust, 45% of respondents noted that the emergence of generative AI has influenced their firm's approach to managing its knowledge to provide better source data for large language models. "Your database has to be clean and organized for generative AI to be most effective," explained one participant. "We are exploring methods to leverage AI for searching the firm's comprehensive knowledge database," added a peer.

45%

Noted that the emergence of generative AI has influenced their approach to knowledge management.

In addition to influencing its approach, generative AI is also encouraging firms to rethink how they prioritize and utilize their internal knowledge. "The firm lacks a dedicated KM function, making agentic AI a valuable tool for knowledge management," explained one. "I'm interested in exploring KM opportunities because integrating a generative AI tool into a document repository would be incredibly powerful," said a second. "Law firms need to develop a new KM model because the work you can do with [generative AI] is amazing; KM will need to reinvent itself," predicted a third.

The challenge highlighted by several participants is the limited resources midsize firms usually have for KM compared to their larger competitors. "Smaller to midsize firms struggle with a cohesive and successful KM initiative due to the inability to dedicate full-time support, as the CIO is typically charged with KM responsibilities in such firms; in a midsize firm, you do not always have specific experts to focus on tasks that larger law firms can budget for," advised a respondent.

Training is in Transition

Forty-two percent of the participants work at law firms that have changed their training because of artificial intelligence. "We have adapted our training in response to technological advancements and now utilize AI to develop training materials," noted a chief financial officer. "Traditional training is dead; sitting in a classroom or a Zoom or Teams session for one hour is dead, so we need more dynamic training and AI-assisted training that can interact by voice or text using an agent," added a peer. "After a training session, we use generative AI to create summaries to reinforce the lessons," echoed another. "We have a trainer who did not think PDF tip sheets were effective enough, so we created a Copilot agent based on the tip sheets," offered a colleague.

42%

Changed their training because of artificial intelligence.

Besides using generative AI for training, many participants are also providing programs on how to effectively utilize the technology in their daily work. “We have more training as a result of the new tools and AI-related features within our existing tools, such as our document management system,” said one participant. “We are deploying a new wave of AI tools for which we will be providing training,” offered another. “We require training for AI usage and offer in-depth training on the specific AI tools we have purchased,” said a third.

Some are also providing training about the training. “We are spending more time educating our professionals on risk management considerations; we explain why the technology is safe, how to use it safely, and then provide tactics, so it is more comprehensive than just how to use it,” reported a respondent. “We train on products that demonstrate how AI can enhance process efficiency and also address cautionary issues related to the ethical implications of AI,” noted another.

Several participants worry that as the use of these tools becomes more advanced, the level of legal knowledge will decrease instead of increase. “The intelligence level of AI is changing the way lawyers write, and something will be lost when something else is doing your work for you; as a result, it will change the way we train young lawyers and make the identification of talent more difficult,” said one.

Ultimately, “It is increasingly challenging to develop training programs on a moving target,” noted a participant. “Not long ago, clients prohibited the use of AI in their engagement letters; however, they now want to know how we are utilizing it, so their expectations have changed completely,” echoed another.

Legal Technology Provides Fundamental and Widespread Benefits

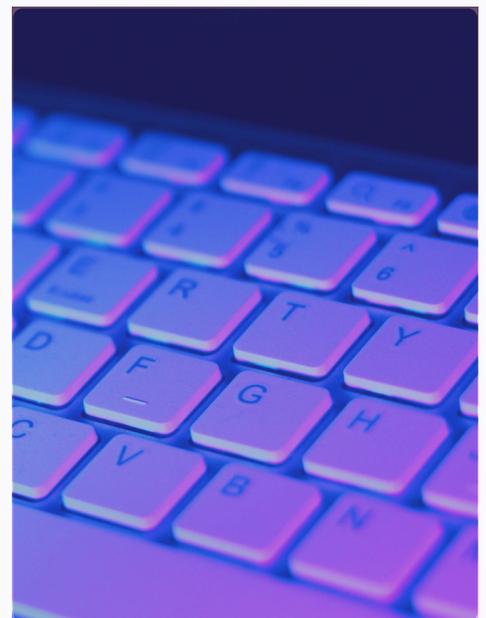
There was widespread appreciation for the advantages of legal technology. Ninety-four percent of participants said it helps increase revenue and improve client service, while 81% said it helps drive law firm growth and retain talent. “It allows us to practice more broadly, which helps increase revenue,” advised an executive director. “It enhances our ability to service clients and provide them with value-added intelligence,” said another.

94%

Legal tech helps increase revenue and improve client service.

81%

Legal tech helps drive law firm growth and retain talent



The challenge for midsize law firms is ensuring a return on their technology investments. “For a midsize firm, we need to consider using technology, but we must do so carefully and with a mix of aggressiveness and intelligence; you cannot swing at every pitch, but you need to find the right pitch to take a big swing on,” said one leader.

Even when a firm makes that decision, it needs a team to support the new tools, which midsize firms may also struggle with. “BigLaw is doing a better job of using legal technology than midsize firms, which assign responsibility for legal technology to the COO, CIO, and CMO; larger firms have innovation and knowledge management leaders who can maximize it,” advised a peer. “At the midsize level, we still do bespoke work on commodity projects, such as insurance defense; this work could benefit from AI-enabled legal work to maintain a very low price,” noted another.

To truly benefit from technology, especially generative AI, the firm must develop some level of comfort with digital transformation. “If your law firm culture is closed and archaic, then you will not be open to change; a law firm needs the practitioners to approach IT and ask for help to solve specific problems,” advised one participant. “It enables us to work with more clients and handle a greater workload more efficiently with fewer people; our objective is to work smarter, not harder,” said another. “You need to have tools and technology to attract new hires, and clients want to work with law firms that focus on driving efficiency through technology,” offered a third.

Ultimately, “Technology adds efficiencies and as a result it powers growth,” explained a respondent. “Technology makes work more efficient, allowing us to complete projects in fewer hours and increase our profit,” echoed a colleague. “Financial management, time capture, document management systems, generative AI, and knowledge management are interrelated and continue to improve, so you need to embrace them to work faster and better,” concluded a third.



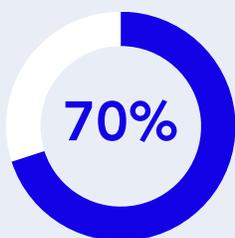
Midsize Law Firms Are Embracing Automation

Seventy-four percent of participating leaders said that automation is transforming how work is done in law firms. "It is accelerating the pace of legal work and the administrative work it supports, such as legal bill review and electronic invoicing; if the courts embraced more technology, we would see even more change," highlighted an executive director.

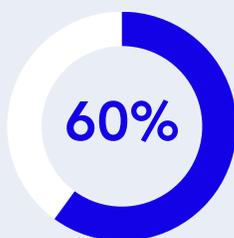
45%

Reported that automation is transforming how work is done in law firms.

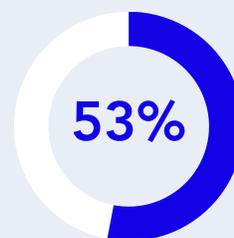
"Automation is a game-changer," added a CIO. Additionally, 70% reported automating document creation, 60% automate email filing, and 53% automate data extraction. "Once people see what they can do with automation, they will adopt it; there are more options to use automation in midsize law firms that suit their practices," advised another leader. That said, "At a midsize firm focused on litigation, there are not a lot of opportunities to automate crucial tasks," countered an executive director.



Automate document creation.



Automate email filing.



Automate data extraction.

Automation appears to trigger a variety of views among law firm leaders. "It is reshaping the business of law more rapidly than the practice of law," clarified another. "We see pushback on automation by employees who are fearful that it will eliminate their roles," countered a peer.

Some of the respondents emphasized that automation has specific use cases rather than universal appeal. "Automation can achieve remarkable results, but its effectiveness depends on the law and the type of practice," noted one participant. "In a litigation firm, automation is not as transformative, though it could help improve processes," added a second. "I have not seen a good use for automation beyond e-discovery," offered a third. "We are relying on iManage's next iteration of automated filing," advised a colleague.

Clients are also driving this transformation, but they often want better service rather than a specific tool to achieve it. "If we don't keep up, we will be left behind; we can just tell by the questions we are receiving from general counsel," said one. "Clients are demanding more, quicker performance, and better quality, so you must always move faster," said another, who explained that "You need to use an array of tools to be more responsive, but [clients] are not specifically asking for automation."

Financial Intelligence is Enabling Data-Driven Decision-making

Sixty-three percent of the lawyers at the firms they represent use data such as financial metrics and performance insights to manage and grow their practices, some of which is generated through automated data extraction. "We have spent a lot of time focusing on data analytics over the past few years since we switched to SurePoint; we make hiring decisions based on data, more closely evaluate profitability by docket to find ways to increase revenue, improve employee utilization, and explore more advanced leverage opportunities," explained another.

63%

Work at firms where lawyers use financial metrics and performance insights to manage and grow their practices.

"Firms that use data more effectively, such as in pricing and project management, will enhance their future success and attract new types of clients," said a third.

The respondents reported a variety of usage patterns. "Several use it daily, but 50% do not use it at all," one person described. "The majority of the lawyers are not taking advantage of the data the firm captures; they seem to feel they have too much happening with their day-to-day legal work to review and manage the data," a peer said. "They mostly rely on the business services leaders at the firm to interpret the data and make it easily accessible; most attorneys dislike the business aspects of practicing law," another added.

Those who use it typically do not maximize the value of the data the firm collects. "They use historical data to help price matters, but it is more often a back-of-the-napkin calculation, rather than an in-depth analysis," noted one leader. "Few lawyers use financial and performance intelligence; we are transparent, but many of the partners stay willfully ignorant if their practices are sluggish," added a peer.

Those who use it typically do not maximize the value of the data the firm collects. "They use historical data to help price matters, but it is more often a back-of-the-napkin calculation, rather than an in-depth analysis," noted one leader. "Few lawyers use financial and performance intelligence; we are transparent, but many of the partners stay willfully ignorant if their practices are sluggish," added a peer.

A lack of dashboards and centrally accessible information can limit a firm's ability to use the data it collects. "The partners are using some of this data, but it is not holistically integrated, providing an incomplete view of performance metrics and financial intelligence," remarked one participant. "The business team provides monthly reports, but the firm lacks a useful dashboard for financial metrics," explained another. "We lack the tools to share data broadly, beyond the C-suite and firm management," offered a third. But, "Since we started using agents for financial reporting, there has been more use of the data," noted a colleague.

Still, several participants find value in the statistics they collect. “We have transitioned to a data-driven, metrics-driven approach, extending from attorney compensation to case evaluations; we were 10-20% reliant on data and are now 80-90% reliant on it.” Some examples include:

- Teaching associates how to use the firm's dashboards to identify lawyers they haven't worked with in order to help them build relationships.
- Dedicating time during monthly partner meetings to review firm finances and share related information.
- Distributing marketing and business development information.
- Using Copilot to export a list of the firm's top 100 clients and asking the tool questions about them and how that matrix has changed. “It provided an intuitive analysis of the biggest increases and decreases,” said a participant.
- Using financial and performance intelligence for planning, staffing, and client selection, including their industries and sizes. “We conduct an initial assessment to determine the appropriateness of an engagement, and try to identify early on whether the client is a good candidate for representation,” noted a leader.
- Exploring ways to connect people through data to identify prospects for business growth, whether with current clients or new ones.



Generally, as it develops, technology is influencing law firm business models. In fact, nearly a third (32%) see technology affecting their billing model, but none have actually changed it because of technology. “We had to move toward using more alternative fee arrangements due to technological advancements and automation; in some cases, this was necessary to stay competitive,” noted a chief operating officer. “We have a higher percentage of work being done on a fixed-fee basis and through monthly retainers, but it still only accounts for 10-15% of our revenue,” explained an executive director.

32%

See technology affecting their billing model.

The Relationship Between Law Firms and Their Clients is Evolving

More than two-thirds (68%) of respondents see the relationship between law firms and in-house teams evolving. "Technology has enhanced the relationship between law firms and in-house legal teams, especially as AI emerges, because clients have higher expectations for the sophistication of their outside law firms," noted a chief operating officer.

68%

Indicated that the relationship between law firms and in-house teams evolving.

"Communication has become more instantaneous, with clients commonly texting lawyers at all times of the day and night," offered a chief financial officer. "AI will force a critical evolution; as metrics have become more accessible, law departments want to see more data about their matters and the law firm's performance, which is motivating law firms to focus more on the business elements of the engagement," advised a chief information officer.

Clients are much more focused on progress updates. "Many clients want real-time feedback and a dashboard that offers full transparency on the status of their matters," said one participant. "As metrics have become more accessible, law departments want to see more data about their matters and the law firm's performance, which is motivating law firms to focus more on the business elements of the engagement; we are often just a computer company that focuses on legal work," added a colleague. "Technology has enabled in-house teams to stay more informed about their outside lawyers' activities in real-time, rather than relying on periodic reports," offered a third.

This increased transparency is closely linked to a firm's billable hours and efficiency. "We have seen demands from clients for greater visibility in billing and the use of e-billing," said one leader. "Since the pandemic, we have received more requests from clients to share risks through alternative fee arrangements, hybrid billable and contingent matters, and success fees," reported a peer. "In-house counsel are pushing back on law firm billing rates and fees," echoed a third.

They are also expanding their capabilities to handle more tasks internally. "Clients are using technology to perform the work and simply asking lawyers to review, rather than generating their own work," said one leader. "There is a view at our firm that more work is being done in-house due to the use of generative AI," noted another.



Generally, clients are pushing firms to become more advanced users of emerging tools. “In-house teams have employed technology at a faster rate than law firms; they have forced their outside law firms to catch up and innovate more quickly,” remarked one participant.

Of course, AI is a common topic of discussion. “The scrutiny today is how we will be using AI in our work,” noted one leader. “In-house legal teams, especially at larger companies, seem to have gotten the jump on generative AI sooner than midsize law firms, so there is an expectation that we will be as efficient as they are,” added a peer.

Preparing for a Future with Pitfalls

Essentially, all respondents (97%) are preparing their law firms for the future, and 68% believe that AI will reshape how legal work is done in law firms. Forty-two percent are rethinking how legal services are delivered. “We are concerned that if we don't adapt quickly enough, we will lose the chance to build our brand,” advised a leader.

97%

Are preparing their law firms for the future.

68%

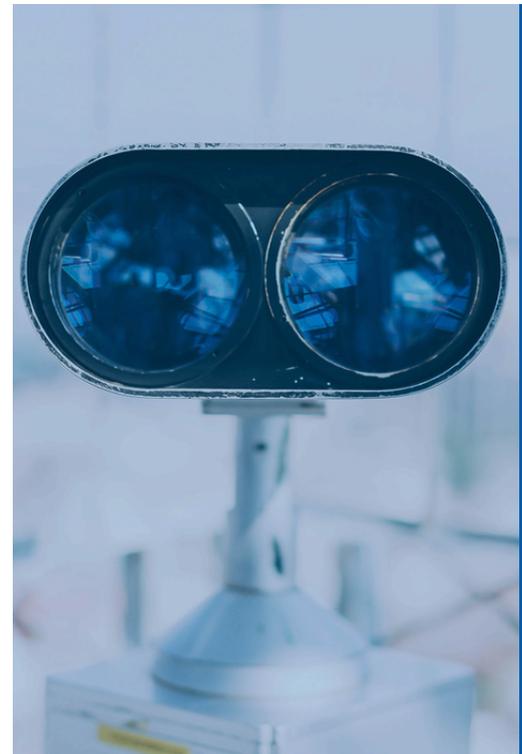
Believe AI is reshaping how legal work is done in law firms.

42%

Are reimagining how legal services are delivered.

By being proactive, firms are gaining momentum. “Among our peer firms of a similar size and with similar practices, we are preparing for the future; however, our approach is not comparable to that of a larger firm with more extensive resources,” explained one leader. “Anyone who is not already developing a strategy will be in trouble, but no one has answers, and everything is being shaken up; most of our plans will focus on adapting to the use of AI,” emphasized another. “We are in the early stages, driven in part by fear and also by an interest in remaining relevant,” acknowledged a third.

Midsize firms, in particular, appear to be making rapid progress. “We may proceed cautiously, but we are always forward-looking,” said one. “By 2026, we will be much better prepared for the future than we were at the beginning of 2025,” noted another. “We are making big strides in 2025; midsize law firms are typically more patient than larger firms with more resources, but the combination of necessity and support from firm management is driving change more quickly,” added a third.



The participants provided the following examples of their preparation:

- The firm is reevaluating how it uses data, the extent to which it is leveraging technology, and ways to redefine roles.
- As a midsize firm, we are definitely trying to future-proof our technology and make smart investments, because we don't have the same-sized budgets as larger firms.
- We have also done a lot of work with financial analytics and dashboards to future-proof the firm's success and profitability.
- Just budgeting for technology growth puts us ahead of many of our competitors; the line item of 'tech development' gives us the freedom to change and innovate.
- We are working to familiarize people with AI, drafting policies, and evaluating new tools; we are also updating our infrastructure by removing on-premises tools and utilizing cloud-based tools exclusively.
- We have an AI strategic plan that we will execute over the next six months and review periodically.



Law Firm Leaders Are Balancing the Promise and Perils of Change



As generations shift and digital natives step into leadership roles, developing skills and succession planning are essential for midsize law firms. Tactical abilities like prompt engineering, communication, and critical thinking remain vital, but future leaders will also combine their tech-savviness with adaptability, resilience, and a stronger focus on client service.

Succession planning is a particularly important issue. "We are investing significant time in training the next generation of trial lawyers, given the numerous upcoming retirements at the firm," said one leader. "We are trying to prepare for the future as it relates to partners planning for retirement in the next three to five years," added a peer. "Not preparing sufficiently for the future keeps me up at night; we are getting much better at dealing with truly strategic elements, such as succession planning, growth planning, and shareholder expectations," noted a third.

Only 6% indicated that their firm is comfortable taking no action at this time. Several identified the most significant risks of inaction as loss of competitiveness, fewer business development opportunities, and obsolescence. "Law firms need to become more agile organizations, embracing a 'yes' culture and being willing to test tools or processes, even if it means failing to progress," said a chief operating officer. Not surprisingly, 90% of the participants reported building a modern and efficient technology stack.

Overall, the data shows a high level of activity among midsize firms exploring artificial intelligence while managing change. They understand that leadership, adaptability, and vision are essential to their future success.

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