

THE 2026 “**BURNING ISSUES**” CONFRONTING FIRM LEADERS

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EXPLORING OUR BURNING ISSUES

As you know, with the valuable input from Law Firm Leaders like yourself, we have now completed 5 sequential surveys and shared with you the results of each. As part of a continued aspiration to find and provide the most up-to-date and useful information, we have now conducted our newest survey to gauge your views on 2026 and what you may be expecting going forward.

Everybody wants to know about the future as it often feels as though our world is changing so fast that we wonder what's next. Markets shift, emerging technologies shake up old business models, new competitors arrive, and unrecognized trends assume center stage. As Peter Drucker, the late Father of Modern Management once commented, *"the seeds of the future are already growing in the present."* Our quest then, becomes to tap the keen foresight of those within the highest leadership positions within the profession and inquire as to what particular seeds they see growing.

With this survey, like our previous efforts we reached out to over 200 Law Firm Leaders with a series of seven questions and were pleased to receive 73 detailed responses representing firms from 200 to over 2000 lawyers in size. Of those responding, 75% were from Firm Leaders who had served in their Leadership positions for over 7 years and 47% were representative of larger law firms of Over 500 lawyers in size, which was unusual but gratifying to experience.

While perspectives were slightly different depending upon how long the responding Firm Leader had served or what sized firm a particular Firm Leader was responsible for managing, we were not surprised to hear some common themes. As one respondent put it succinctly; *"there are a number of issues burning intensely."*

As a result of reviewing the survey answers, we then reached out to a number of these Firm Leaders to initiate and elicit their written responses to four specific issues that seemed to be both timely and strategic in nature – all issues one might just naturally expect proactive firm leaders to be concerned with monitoring and addressing. We asked: "if you are in agreement that some or all of these may indeed be worthy of provoking further exploration and analysis in 2026 - PLEASE share your candid views and thoughts: *What are you seeing and what do you believe is going on out there?*"

What follows here is a summary of the responses our research survey questions uncovered together with what we were advised by our responding Firm Leaders concerning issues they tell us that they are keeping a vigilant eye focused upon.

We were reminded of the late founder and CEO of INTEL Corporation, Andy Grove's comment to the effect that *"Success breeds complacency. Complacency breeds failure. Only the paranoid survive."* That said, we leave it to you to determine how many of these various burning issues you feel strongly about and sense that going forward they may be even 'more burning' than it appeared last year or the year before.

INTRODUCTION

We began our survey by exploring how our respondents would describe the current state of affairs and what specific word (we actually asked for three different words) would they choose to best describe their feeling about what was currently happening in the legal market. Now we purposely did not give them any selection of various words to choose from, but rather looked to explore how they might best describe their particular market and circumstances.

Perhaps not surprising and across firms of all sizes, the dominant choice identified by 63% of these Law Firm Leaders was “*Uncertain*” and “*Unstable*.” Some selected related terms like “*Changing*,” “*Chaotic*,” and “*Complex*.”

The second most common observation was a market that could best be categorized as “*Challenging*” and “*Competitive*.” These terms were the preferred choice of another 49% of all Firm Leaders participating.

Our final grouping, those who felt more optimistic about what they are observing and encountering out there, used the words “*Promising*” and “*Dynamic*.” A few included “*Opportunistic*”; “*Profitable*”; and “*Exciting*.” But all those positive labeled only accounted for a mere 22 % of our total responses received. And in almost every case this more upbeat term was added following the first two words being chosen suggesting some sincere concern for where things are at, in their marketplace.

I. MOST COMPELLING BUSINESS ISSUE

We then posed an open-ended question: “*What do you see as the most compelling business issue facing law firm leaders – besides profitability and growth?*”

The vast majority of the answers we received could be grouped into three separate categories, the first of which was, once again, no surprise: **Technology and specifically AI.**

We were provided with a range of responses from 62% of all Firm Leaders, and irrespective of Firm size, those responses included:

- *The Responsible use of AI in service delivery;*
- *Providing training & development of young associates in the context of AI;*
- *Effectively incorporating AI into the legal practice while adjusting the business impact AI will have on hiring, pricing and client expectations;*
- *AI and its impact on economics and the traditional law firm business model;*
- *Managing client expectations for the impact of GenAI to significantly reduce legal fees;*
- *The integration of AI into law firm operations and how to pass the costs of that substantial investment on to clients;*
- *Handling the impact of generative AI;*
- *Making the correct (best) decisions in the AI technology arena; and*
- *Managing client expectations in the face of AI opportunities.*

The second most common business issue identified, concerned the “*Sustainability of antiquated business models that will be impacted by private equity*” most specifically: *Private equity’s entry into the profession; the impact of 3rd party capital; and how it may all disrupt the stability of partnerships*. This particular issue has been gaining increasing legal media attention as of late and stimulated our reaching out to some firm leaders to provide more details – which will follow later in this report.

Our third compelling business issue was one that we were familiar with from our 2024 Burning Issues survey results – “*The War for Talent.*” To be expected we heard about the importance of finding experienced talent, retention, training and managing that talent.

That all said, what follows then is a summary of the BURNING ISSUES that were identified from our survey results in each of three categories (and with an obvious sensitivity to maintaining confidentiality).

II. ECONOMIC ISSUES

The number one, strongest priority and the one that generated the most attention as the top issue for our firm leaders, of all sizes, going into 2026 was identified as “*Keeping the partners we want to keep.*” We know that firms are struggling to keep partners during what many consider to be a lateral boom. The number of lateral moves for those seeking greener pastures is outpacing last year, which is both good and bad news according to law firm leaders. And according to one report we reviewed earlier this year, more than a fifth of laterals leave after year three, and more than a third after year five, with each failed lateral costing firms more than \$4 million. As firms attempt to grow rapidly by gaining market share from laterals, many observers we have spoken with, say there will likely be more quick exits, or “failed hires,” in the next couple of years.

This issue was then followed by “*Igniting business development amongst the partners*” and “*Cultivating the next generation of rainmakers*” – both of which can easily be seen as being interrelated. This economic issue may be categorized as business development, but as we have so often been told, this isn’t about filling the offices full of more “junk work” – but rather about identifying the higher value work and training our lawyers in the skills necessary. These firms want to attract premium work in a manner that resonates with their clients and has them referring the firm to other prospects.

That all said, with our grouping of Firm Leaders from firms of over 800 lawyers in size, while the same issue of keeping the partners we want to keep” also resonated with BigLaw as their most important issues – it was followed by **two different** priorities. For these Firm Leaders the important 2026 priorities included “*Going all in on Innovation*” something that we did not get the opportunity to really define or dig deeper into, and perhaps the subject of a future Firm Leader’s survey. And that priority was followed by “*Using AI to improve the client experience*” – which was not unexpected since AI came up as an important issue in every area of our survey research and a subject that we will be exploring in even more depth shortly.

III. LEADERSHIP PRESSURES

To help our Law Firm Leaders we proposed a number of different 2026 possible priorities and asked that they rank which they felt were extremely important as separate from those that were fairly unimportant to their partners and to their firm.

Across firms of all sizes the number one most important Leadership priority was “*Developing market leading practice / industry groups and client teams*” and it was followed by the second highest ranked issue: “*Identifying and grooming future leaders.*” These two priorities are obviously interrelated and coincidentally the same Leadership Pressure identified in our last Burning Issues survey only then of lower importance.

As one respondent rather bluntly put it at that time, “*One of our more important burning issues is internal. Our practice groups and practice group management suck at getting anything meaningful accomplished. And unfortunately, we’ve never really held them accountable.*” And as another firm leader framed it, “*We have an abundance of terrific lawyers, but a real shortage of ‘leaders.’ I suspect that puts us in the same category as everyone else. The priority is to give some real focus now to the early identification, positioning, and training of those partners with leadership traits.*” As indicated by those comments this issue has risen in urgency within our responding firms.

And of course no discussion of Firm Leadership pressures would be complete without some reference to “*Executing on our strategic plan while stressing the negative consequences of inertia and resisting change.*” Now this particular topic scored even higher importance (it was #2) amongst firms in our Over 800 Lawyer grouping.

Now, readers may remember our survey results published in “**DISSECTING THE PROCESSES OF LAW FIRM STRATEGIC PLANNING**” from 2024. Specifically, amongst some provocative data, we informed our Firm Leaders that:

- 69.8% of all firms invest on average, at least three months in the development of a formal written strategic plan
- But ONLY 35% had each practice / industry group develop their own strategic plan, (with only 14% of the Over 500 Attorney group developing strategic plans at the micro (practice / industry group) level.
- When asked “*how much of your last strategic plan has been implemented?*” we discerned that “*almost all*” was identified as the most accurate response by a whopping . . . 18.6% of our firms, across all sizes.

We then regretted having to inform our readers that it would appear from our research, that too many Law Firm Leaders suffer an infliction that goes by the sophisticated technical term of: **seeing SPOTS**. SPOTS being an acronym for Strategic Plan On The Shelf! This issue of EXECUTING on our strategic plans continues to be of extreme importance and worthy of serious attention in 2026.

IV. TECHNOLOGY DEVELOPMENTS

When approaching the issue of technology we asked a general question of their personal view of the overall subject and found that most aspired to *“Being a leader in the adoption of new technology, **not necessarily the first** but an early adopter, as being critical for their law firm’s success.”*

When asked how they are expecting to continue integrating artificial intelligence into their operation over the course of 2026, three priorities were clearly identified by all firms: *“to streamline routine legal workflow; to drive internal efficiencies; and to reduce the overall number of human hours required to complete legal tasks.”*

Now that said, when we focused on the specific responses of only those firms Over 800 Lawyers, we discerned that there was one common issue that overshadowed all others and that was – *“to shift away from hourly billing toward value-based pricing.”* Once again, that sounds like that long-contemplated trend called “Alternative Fee Arrangements” and so this is one of the topics that we will re-visit in a bit more detail later in this report.

ON A LIGHTER NOTE

We concluded our survey by asking for some personal views giving the strongest assurances (as always) that everything would be kept confidential and not attributable to any specific respondent. One of the questions we felt compelled to pose concerned how agreeable they felt they were to this particular expression: *“I love my job.”*

As we expected, on a scale of 1 to 10, with 10 being *“Highly Agree”* the majority of Firm Leaders DO claim to LOVE their job! And once again forgive us for referencing our previous survey results but for those of you who remember our very first research undertaking: *“Examining The Inner Workings Of Law Firm Leadership”* released in 2023, we endeavored to identify in **excruciating** detail just how difficult a job leading a law firm can be.

And to that point, we must confess that we did identify some 22% of our respondents that admitted to us that . . . “they’re not overjoyed” with that number growing to 43% for those **brave souls** leading firms of Over 800 Lawyers in these often very challenging times.

FURTHER CANDID ANALYSIS TO PROVOKE THOUGHT

We asked a collection of Firm leaders, in one-on-one discussions, if they would agree to dive a bit deeper into their personal realm of Burning Issues and share their candid views and thoughts. Specifically, they were asked: *"What are you seeing and what do you believe is going on out there?"* that may go beyond the scope of the Burning Issues that were identified in the 7 topics comprising our initial survey instrument – that should provoke further exploration and analysis going into 2026. The following feedback and comments were drawn from what we were being told:

1. Private Equity and Managed Service Organizations

The last few months have made clear that Private Equity's interest in the legal sector has grown and they are aggressively investing in "Management Service Organizations" or MSOs. The MSO structure for law firms entails a law firm essentially splitting into two parts: one part being the legal service providing, client-facing portion and the other part being the MSO, which will take over all other law firm functions: administration, accounting, technology, recruiting, HR, real estate, etc. The MSO is paid a fee for providing these services. The pro-MSO argument is that they are simply vendors, no different than the outside messenger services that most law firms employ. The counter argument is that MSOs are so entwined with the day-to-day management of the firm that it is simply not realistic to believe that they are not interfering with the lawyer/client relationships of the firm.

"What are you seeing and what do you believe is going on out there?"

- "MSOs in the legal industry are here to stay. They have created these structures for some time in the health care industry with positive outcomes and are beginning to help create them in the legal industry, primarily for PI firms. Many AmLaw firms have been approached by PE and some of the dollar figures being tossed around are staggering. It will be interesting to see who goes first and what traction will be created when early deals are made. It's no secret that AmLaw firms are operating in an extremely challenging competitive market in terms of increasing operating costs (such as AI and technology) and increasing cost of retaining lawyers and recruiting laterals with business. Mergers and devices such as MSOs are seen as solutions to these challenges. Currently, we are curious but our partners are not ready to give up control of our operations and competitive edge. There will be more to report on this trend."

- "It feels inevitable that we will have third-party investment in law firms in the relatively near future. I understand the need to bifurcate the law firm into 'legal' and 'non-legal' functions, but that distinction is largely formalistic and arbitrary. I worry that the third-party investment will turn law firms into purely profit-driven, commercial enterprises and mark an end to the ideal of law firms as professional organizations. I find this very sad. Lawyers in Big Law make a fortune. Do we really need to make even more money? For what?"

- “Currently, there is great volatility with senior partners jumping from one firm to another. The financial model of law firms does not provide financial incentives for lawyers to stay. Partners can change firms without any financial consequences for them, but there are consequences for the partnership. For partnerships, long-term investment is becoming more difficult because they don't know if their partners will stay. We need to analyze the shift in the profit-sharing model and align the interests of the individual partner with those of the partnership. Partners should be allowed to realize a capital gain if they contribute to creating value. Essentially, the private equity model largely needs to be imported into the legal industry, with a view to long-term investment.”
- “For any law firm attracted to securing a PE Investment, you need to obtain a 100% buy in from **all partners** at all levels within your firm. Some firms will need at least 2 years to get that kind of buy in and present their finances properly. PE is not a short term-term endeavor as they are looking for a 5yr-exit; but to sell the stake there needs to be a 10-15yr plan and a path to success. So make no mistake, retention of key management / partners who have years of wisdom, definitely matters.”
- “According to the authors of *PLUNDER: Private Equity's Plan to Pillage America*, Private Equity is “greed wrapped in the American flag of efficiency, looting justified by solid investment returns. These marauders answer to almost no one.”
- “I believe our industry operates with an obsolete business model: where partners distribute all profits among themselves, and there is no capital left to invest in technology nor financial incentives for them to stay, creating structural volatility that will prevent competition in the next decade.”
- “Industry experts say MSOs, or management service organizations, can serve as a way for senior attorneys to retain equity even after retiring, giving them greater incentive to cede power and client relationships to the next generation.”
- “The MSO entity can provide a range of support services to a law firm in exchange for compensation. Investors in the MSO need not be licensed members of the legal profession. Financial structures for MSOs are deal specific and can include both debt and equity.”
- “Cravath, Swaine & Moore, Skadden Arps, and Mayer Brown are just three of the white-shoe firms advising on PE investments in law firms and legal services. But will attorneys ever really accept capital as a teammate?”

- “I was impressed by one recent article entitled ‘*Private Equity At The Gates*’ where the author claims that PE firms covet legal businesses for a few reasons: the flow of revenue is steady and countercyclical, margins are consistently high in many practices, and there’s enough inefficiencies in law firm operations that some upgrades and more professional management could produce relatively easy profit growth. This trend is real, and if it gains momentum, it will seriously accelerate the transformation of the legal sector that’s already underway. In the PE world, exit (with a profit) is everything, so everyone involved needs to be very clear on how that’s envisioned, when it’s expected to occur, and what will happen to the business when that day comes. If you convert your law firm, in whole or in part, into a PE-owned legal business unit, your firm will change forever.”

2. The Growth of Litigation Funding

According to a US Chamber of Commerce report authored by lawyers from Skadden Arps: “Private Equity funders exercise significant control over litigation, contrary to their claims of being passive investors. This control threatens the professional independence of lawyers, and disrupts the loyalty that counsel owe to their clients.” In 2026, litigation funders will play a key role in accelerating the pace of nonlawyer investment in law firms. In turn, key stakeholders will capitalize on these options to modernize and promote investment in the legal industry, particularly by nonlawyers. A number of articles have now identified the polarizing, opaque business of litigation funding and how backing lawsuits to get a piece of the outcome has become a multi-billion-dollar, lightly regulated undertaking.

"What are you seeing and what do you believe is going on out there?"

- “I understand that litigation funding is on the rise. The challenges listed above, in my view, are legitimate issues and pose ethical and independence issues. My law firm has not used litigation funding for these reasons. I can imagine certain situations, especially on the plaintiffs’ side, where litigation funding allows meritorious actions to be brought.”

- “This past April, Sen. Thom Tillis (R-N.C.) introduced the ‘Tackling Predatory Litigation Funding Act’ designed to impose a tax on profits earned by third-party entities that finance civil litigation. The motivating reason for this bill was the need to have equitable tax treatment across the board, so that the investors in lawsuits do not benefit from better tax treatment than the victims who finally get to receive any award.”

- “This is another fascinating development in our rapidly evolving law firm industry. While controversial, this is something that some of our clients and attorneys have looked at and, in appropriate circumstances (particularly high stakes IP litigation), are looking to employ. The key is having an arrangement with the right funder and on the right terms that allow the client and law firm to bring a solid and substantial claim which might not otherwise be affordable, sort of hedging the bet. Issues such as what happens on appeals, how much risk the law firm takes on

its own investment of time and the return in the event of success create thorny analytics. Our experience is too new and few to make final determinations, but we are certainly looking at and using it where it makes sense.”

3. AI's Impact on Legal

Ever since lawyers first got caught adding AI hallucinations to their filings, courts have tried numerous deterrence strategies, including imposing monetary sanctions for AI misuse. But the problem continues to increase and will do so throughout 2026. Meanwhile, Corporate legal departments are rapidly adopting AI, but 2026 will not bring about a measurable Return On Investment . . . yet. The issue isn't failed technology, it's uneven adoption and weak data readiness. Legal teams are still building the systems, baselines, and consistency needed to measure AI's impact, making 2026 a foundational year. Law firms are lagging behind their corporate counterparts such that next year, law firms must bridge the gap because clients are demanding technological competency.

"What are you seeing and what do you believe is going on out there?"

- “Clients aren't looking to be told what the law says; what they need is business advice, based on legal knowledge, that aligns with their interests. Should I initiate this litigation? Should I invest in this patent? Should I formalize this agreement? What are the legal risks of this contract? Honestly, none of this is new. The best lawyers have been able to do this for 40 years, and I believe they will have to do it 40 years from now. For the best lawyers, these skills will be the same with or without technology.”

- “Some say that the consequence of AI is that we won't need as many lawyers. It's not for nothing that this technology is designed to increase productivity with less human capital. But others say it's not such a big deal, that there won't be such a huge change, that it's a technology with many shortcomings. So, is AI simply another associate, very fast and cheap, or will it truly transform the profession? I think it's more than that. It will drive efficiencies and I'm not sure we'll need fewer lawyers, because the complexity of the world keeps growing. The more complex it is, and the more laws there are, the more lawyers are needed. Some of the complex work will be, and is being, taken over by technology. I don't think that means fewer lawyers; I think the work of lawyers is going to change. But I have no doubt that this is a technology that will have a major impact on the business model of law firms.”

- “The issue is, LLM is simply the wrong model. It just can't do what it's sold to do. Will we ever have a true AGI model? Let them try. But the experts say we are not even close. If they ever get there, watch out! That's the stuff of science fiction movies. Of course they will try. That's what they do. Remember when Elon Musk (and Google) told us we would all be using self-driving cars in three years? That was 2012. Google's head of production quit, saying maybe 30-40 years, or maybe never. But it's the same issue. You have to get all the humans off

the road first. Machines can talk to each other, but they can't anticipate what humans will do. Lawyers do that."

- "I believe generative AI is a transformative, game-changer. Its adoption will change everything – the delivery of legal services, the structure of law firms and in-house legal departments, the training of young lawyers, the pricing model, legal education, the hiring of new lawyers, etc. And clients are demanding its thoughtful adoption."

- "There is another issue. Law firms are being careful (no matter what they say) but other companies aren't. We just had to fire a client who kept feeding us AI pablum. Most CEO's are focused only on cutting costs. They are laying off 20-30% of their workforce. I don't know about you, but I can't get help from vendors, agencies, or any large corporations anymore. You can't talk to a human, and any response to any problem is either denied or delayed. Lovely. What is Gen Z supposed to do when all the entry-level jobs are gone? AI is taking entry-level jobs. What happens when Gen-Zers can't start their careers?"

- "AI will eliminate junior training jobs and force firms to assume training costs like any modern industry. Meanwhile, Clients aren't looking to be told what the law says. What they need is business acumen based on legal skills. The specialist redefines what it means to be a great lawyer: moving from pure legal analysis to strategic business advice, a distinction that AI will make even more critical."

- "This topic has just exploded over the past few years and is accelerating at a remarkably rapid pace. It is changing and will continue to change the legal industry in profound and uncertain ways. Finding the right product and monetizing investment will be a challenge for firms large and small. It's really at the top of our strategic list as we seek to maintain and even increase our competitive edge."

4. Alternative Fee Arrangements (AFAs)

AI is disrupting a competitive landscape that is quickly becoming more intense and while everyone is sick of hearing about AFA's, Europe and Asia have embraced alternative fee arrangements (AFAs), while North American law firms continue to remain heavily dependent on the billable hour. However, commoditized legal practices require re-evaluation of work processes, lawyers and support resourcing. Chief Legal Officers are starting to become more vocal, proactive and demanding, which suggests that 2026 may be the year that AFAs take over from the billable hour and rate pressures reach a breaking point.

"What are you seeing and what do you believe is going on out there?"

- “For years, many have predicted the demise of hourly billing. Gradually, there are more fixed prices in the legal industry. I think artificial intelligence will likely accelerate that trend. We need to think about a different business model, a different way of billing clients, where the inefficiency of hourly rates will gradually disappear, which is in the client's best interest. That's probably the biggest impact. Law firms that don't adopt the technology will fall behind. I have no doubt about it.”

- “We need a different billing model, a different way of pricing services for clients, one that no longer allows for charging for inefficiencies. We will have to price value more. The price will shift from charging for input — the hours we dedicate to the client — to charging for output to the client. It's a price per service, not a price per hour.”

- “To me, AFAs are tied closely to the rise in use of generative AI. For the first time ever, law firms will press clients to move away from the billable hour in favor of project-based billing, because the basis for the billable hour (leverage/hours x billable rates) will erode quickly.”

- “AFAs are being driven by billing rate disparities. Big Law is commanding rates exceeding \$2,000 per hour for elite partners, while midsize firms struggle to raise rates. This creates a pricing chasm that limits midsize firms' ability to compete for high-value work. So embracing AFA arrangements allows firms to meet Clients increasing demands for transparent pricing, tech-enabled services, and faster turnaround.”

- “We are an industry in denial. While every lawyer reinvents the same solutions in every city, charging hourly rates for inefficiencies, AI will accelerate the transition to value-based billing and mass access to legal services. Mid-sized firms trying to be all things to all people will disappear.”

- “We believe that with advancements in AI, ability to estimate scope and promptly address scope changes and other technological, project management and knowledge management advances, we will increase our ability to deliver predictable budgeted outcomes, which is something we all want. I would note that many clients still wish to monitor the hours and rates that go into our AFA outcomes.”

What does the future of our law practice look like, and do we like the look of it? Is there a better future and how do we get to it? Going into 2026, we may be facing a key time to help shape the remainder of the decade and it is important that we take the best course of action.

CONCLUSION

While these varied observations may be viewed as a basket full of thorny, deeply challenging issues facing firms today, we heard from 78% of our law firm leaders that they fully expect that 2026 will be a highly successful year for their firms. Now while that may seem like optimistic thinking, knowing many of these leaders, we firmly believe that they possess the persistence to face their burning issues and create strategies to give themselves and their firms a prosperous future.



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