

3rd Annual Law Firm Profitability Survey: Firms are Pressing Harder on New Profit Projects Anticipating the Post-Pandemic Environment

By [Mark Medice](#) on July 19, 2021

Iridium Technology and LawVision recently released the results of our 3rd annual law firm profitability survey that assessed the sentiment and performance of large law firms in the heart of the pandemic.

Highlights of the survey include the following key themes:

- Profitability is a critical topic today as it was pre-pandemic, but now firms are pushing harder to enable those metrics and drive change
- While many firms performed exceptionally well during 2020 (due to the combination of resilient demand, cost-cutting, and timekeeper mix), law firm leaders are anticipating and building towards what comes next in their profitability priorities and their impact
- The pandemic has pressed firms harder to explore profitability dimensions in new ways, as described below

The table below (from the survey) highlights the many projects that firms are working to address profitability:

Finance & Process	Analytics & Systems	Client & Talent
Improving Financial Hygiene like timekeeping, billing (52%) (New in 2021)	Rate Performance (46%) (-18% from 2020)	Conducting Profit Education & Training (34%) (New in 2021)
LPM (38%) (-2% from 2020)	Profit Metrics (44%) (-8% from 2020)	Laterals and Diversity (32%) (-7% from 2020)
Driving staffing efficiencies (38%) (New in 2021)	New BI System (34%) (-7% from 2020)	Client Feedback (14%) (-20% from 2020)
Doing more AFAs (20%) (-14% from 2020)	Improving Intake Process to Signal Profit Risks (14%) (Neutral in 2020)	Executing Key Client Program (14%) (-6% from 2020)
Establishing Pricing of Chief Value Function (14%) (+1% from 2020)		Changing Service Delivery Model (10%) (-14% from 2020)
Going to incur significant cost reduction in some way (e.g., remote working, reducing real estate/office expense) (14%) (New in 2021)		Adding Contract Partners (10%) (New in 2021)

We were intrigued to see projects like timekeeping practices and inventory management come to the forefront, along with profit education and training. We also observed emphasis on staffing efficiency projects and new talent strategies like contract partners. In contrast, it was interesting to see a pullback in rate projects in 2020. However, we expect this to reverse. Now in 2021, with the salary wars, rising talent cost pressure will incent firms to raise rates or return to rate strategies more in line with pre-pandemic times.

More broadly, profit metrics help to inform firm innovation, so it is natural to see projects that start with efficiency leading to more expansive strategic projects.

The above represents summary points from our full survey, a 40-page detailed report covering many topics, including profit modeling, reporting, profit transparency, systems/tools, profit analytics, and of course, detailed **nuts-and-bolts** questions discussing allocation methods, costing partners, handling business development expenses, profit scenarios and among other topics.

To learn more or receive a copy of the report, contact Mark Medice at mmedice@lawvision.com. Also, be on the lookout for our upcoming webinar reviewing survey details.

