



## Emerging Data, Technology, and Financial Requirements for Today's Law Firm Leaders

As the legal industry becomes increasingly dynamic and competitive, law firm leaders face unprecedented challenges—and opportunities. Intensifying client expectations around responsiveness, technology, and transparency, as well as the sheer growth in the size and scale of law firms have created new business complexities for law firm leaders – particularly as relates to emerging data, technology and financial requirements.

Historically, oversight over data analytics, technology, and in some firms, even financial management have been heavily delegated to the C-suite. While business professionals will undoubtedly play an essential and expanded role in firm management going forward, the relatively cursory *partner leader* knowledge and involvement in these areas has resulted, for a number of firms, in insufficient partnership attention and less informed decision making for the firm overall.

Partner leaders today face a business imperative – develop a far deeper understanding of emerging competitive needs and requirements in data, technology, and financial management to better inform decision making and increase market share, or risk losing competitiveness to firms with greater leadership depth in these areas.

### The Growing Role of Data and Analytics in Law Firm Decision-Making

In both day to day business decisions, as well as long term strategy development, law firm leaders now have the potential to inform thinking through data-driven decision-making. An example of this can be observed in the expanded use of data used to inform strategic planning. Increasingly, firms are tapping into an expanded range of analytics resources and capabilities to gather insights on their own clients' outside counsel selection criteria and emerging business and legal issues that might result in shifts in demand. By analyzing this data, they can allocate investments in hiring and growth in high-demand practice areas while tempering investment in areas seeing reduced demand. From a day to day operational perspective, firms are also harnessing key metrics such as client retention rates, billing efficiency, and matter profitability to identify trends across practice groups, helping leaders make informed decisions on resource allocation and profitability. Other firms are leveraging predictive analytics to better understand client needs. By analyzing historical client data and engagement patterns, firms can anticipate future legal needs, allowing the firm to offer proactive service and stay ahead of competitors.

Unfortunately, all too often despite investing in tools and capabilities to collect and analyze data, firm leaders lack awareness of the data available or the ability to access it in real time to inform their decisions. As a result, decisions are often less strategic, based on old data, or even worse – based on rough hypotheses. Closing the gap between the availability of data and utilizing that data in decision-making requires greater partner leader familiarity with data analytics and knowledge of how to tap into the firm's data resources.

### Investments in Technological Advancements

As the legal industry continues its digital transformation, new technologies are reshaping firm operations. These tools streamline workflows, improve productivity, and bolster data security, making them critical investments for law firms. While decisions on technology investments are typically driven by a law firm's CIO, there is a growing need for the Chair/Managing Partner and Executive Committee members to more fully understand the business case and financial costs associated with these investments, as well as the competitive and client retention risks associated with a lack of investment. In the current competitive environment, AI represents one of the most widely discussed examples of a major technology investment requiring leadership attention. Many firms now use AI-powered platforms to speed up document review and identify critical clauses in contracts, reducing the time attorneys spend on repetitive tasks. Investing in this technology and the training associated with it represents a significant undertaking for firms. However, not investing enough, or not investing early

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enough, present real risks to the firm's long-term competitiveness and ability to compete for client matters. Another key example of a major technology investment requiring leadership attention is data security. While some firms are aggressively adopting advanced security protocols, others are falling behind, in part due to a lack of partner leader attention to the risks and technology changes.

In addition to ongoing practice advancements and data security risks associated with technology evolution, there are also challenges around the rising costs of technology, the direct impact on partner profits, and the reality that technology adoption often requires significant partner behavioral change. In this context, Chair/Managing Partners and Executive Committee members play an invaluable role in helping to influence partner support for and adoption of technology investments.

### Building Financial and Data Literacy Among Firm Leaders

As data and financial analytics take on greater significance, partner leaders face increasing pressure to better understand, better communicate, and better align the partnership around the firm's current financial performance and key financial objectives. Real financial literacy (as opposed to a more cursory understanding) enables partner leaders to interpret firm financial reports accurately, spot trends, make more fully informed strategic decisions, and communicate more effectively with the partnership about the firm's financial performance. Gaps in financial literacy often result in a lack of broader partnership understanding of the firm's relative financial performance and areas for focus to improve financials. This presents material opportunity costs in terms of harnessing partner energy to address performance gaps and increase productivity or profitability. Gaps in financial literacy also cause firms to waste precious time and resources over-evaluating non-strategic growth opportunities, including laterals or combinations. These drawn out processes distract firm leaders and the partnership from focusing on higher potential growth opportunities or internal profitability improvement opportunities.

To build financial literacy among leadership candidates and across the full partnership, firms have developed law firm finance programs for partners and associates to ensure that partners can interpret financial reports and metrics to make data-informed decisions on pricing and staffing that will drive profitability on client matters. In addition, as more firms adopt leadership development programs to cultivate future leadership talent, the sophistication of the programs has increased, and these leadership development programs often now include more granular training on firm financial management and data analytics, both aimed at enhancing firm leaders' ability to unpack the firm's financial performance and harness that information in both operational and strategic decision-making.

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While technology, data analytics, and even financial skills have not historically been requirements for law firm partner leadership roles in the past, increasing competitive pressure and business complexity necessitate that partner leaders demonstrate a stronger foundation in these areas going forward in order to harness market opportunities and avoid losing ground to competitors.

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#### Washington

Principal: Lisa Smith  
[lisa.smith@fairfaxassociates.com](mailto:lisa.smith@fairfaxassociates.com)  
202.365.4180

#### California

Principal: Kristin Stark  
[kristin.stark@fairfaxassociates.com](mailto:kristin.stark@fairfaxassociates.com)  
415.215.9294