

Strategic Sector Insights for the Legal Profession 2026: Mid-sized Firms

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The Law Society in association with MHA



The Law
Society

Introduction

This Law Society Strategic Legal Sector Insights Report has been developed in association with MHA, to capture key trends and insights from decision makers of medium sized law firms. It identifies the key strategic priorities for law firms in 2026, based on the results and feedback received from practices.

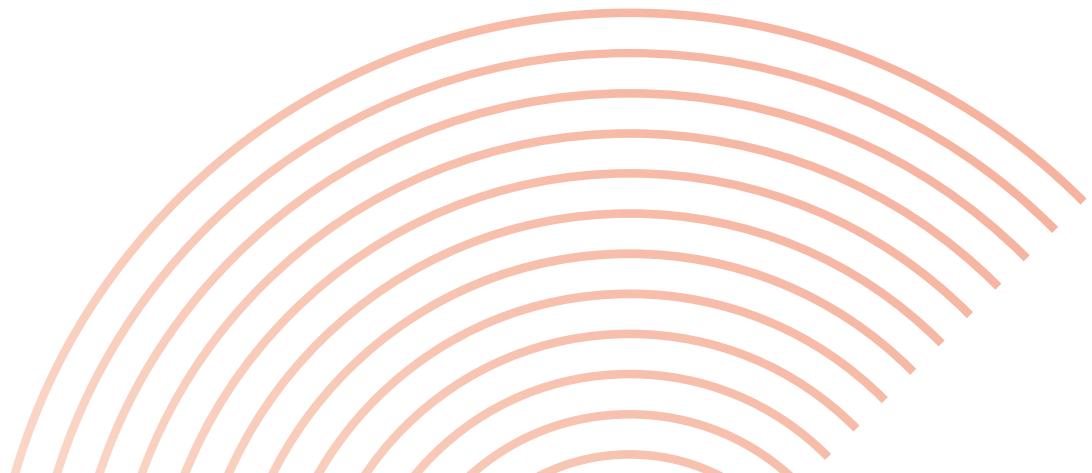
Partners and other senior representatives of mid-sized law firms with 8 to 50 partners in England and Wales, which generally operate on a national or regional scale, were asked to complete the online survey with questions covering their firms' outlook and strategic priorities reflecting growth plans, people, technology, property, financial aspects and ESG. 63 respondents completed the survey in September, October and November 2025, and findings provide a highly valuable insight into the outlook of firm leaders without necessarily representing the views of all mid-sized firms.

When analysing the survey data we have used unrounded values to derive percentages. Percentages are then normally rounded to whole numbers for use in charts and tables. Due to this rounding, percentages may not always add up exactly 100%.

This report looks at firms strategic priorities, comparing financial data such as charge out rates, turnover and lock up, as well as delivering a deeper understanding of firms' technological growth and social development. Questions on borrowing give an insight as to how any organisational growth will be funded.

Rising costs present one of the biggest challenges to mid-size law firms, which has been further impacted by the increase in employers' National Insurance that came into effect in April 2025. Despite good profitability and earning potential, the costs of running a mid-tier law firm may explain the reduced appetite of senior management seeking partnership or directorship.

This report aims to help you identify strategic opportunities for your firm.



Introduction

MHA is in a unique position as advisors, auditors and reporting accountants to the legal sector. Its professional practices team acts for a range of mid-tier firms on financial, compliance and regulatory assignments.

MHA work with the Law Society, the Solicitors Regulation Authority (SRA), the Institute of Chartered Accountants in England and Wales (ICAEW) and other stakeholders on advisory compliance and regulatory matters within the profession. Strong internal controls, systems, and procedures are the basis for good compliance, sustainable growth and ultimate success of a legal firm. This forms the cornerstone of meaningful reporting and management information.

The following MHA experts worked with the Law Society's Head of Research and Insight in developing and reporting on the study.

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Executive summary

This report follows last year's findings, with 46% of those who participated reporting an increased market share being the main opportunity for their firm (49% last year). How firms achieve this, however, may have changed and could adapt further into 2026.

The survey indicated that Artificial Intelligence (AI) is a driving force to achieving firms' key strategies of increased growth and profitability. As is seen in the technology section of this report, the use of AI by law firms has rocketed.

How such market share increase is set to be achieved remains variable across mid-sized firms. Organic growth has traditionally been the driving force to a greater market share but in the current economic climate, this can be difficult, so firms are looking for alternative ways to increase turnover and their overall client base. To do this, legal practices need to invest in technology, infrastructure, marketing and staff – and the source of funding for such investments forms an integral part of this year's results.

As was the case last year, there appears no greater enthusiasm for senior staff to progress to partnership. 43% of respondents stated a belief that there was less desire to become a partner, with 43% saying there is no change. The reasons seem to revolve

around individuals not wanting to accept the extra risk and responsibility for what increased remuneration they might earn. Senior employees in law firms, especially since the COVID epidemic when there was a shortage of staff, are often on sizable salaries particularly in the London area. Along with weighing up the work/life balance, the lure to partnership is diminishing. To back this up, the survey reveals that the biggest reason for staff leaving was better pay elsewhere.

Law firms are therefore looking externally for investment to fuel their desire for growth. This year there has been a rise in mergers and acquisitions and practices are exploring the possibility of private equity (PE) investment or floating on a suitable stock market to fund such ventures. We may see this becoming more popular over the next 12 months, as firms want to ensure that they can overtake or keep pace with their competitors. Of course, there are important considerations involved in PE investment which have been drawn out in this survey, most notably a loss of control and change in culture.

Whether firms look to grow organically or via a merger/acquisition, obstacles to their plans cannot be ignored. Rising costs and a changing regulatory environment are sources of uncertainty for the sector and likely part of the reason why the desire to progress to partnership is not what it once was.

Strategic outlook

12 months ago, in our inaugural report, mid-sized law firms identified talent retention, succession planning, technological advancement, and geographic expansion as key areas of focus over the coming year.

Similar trends have continued this year, although AI has become more prevalent in respect of technological advancement.

Historically, law firms have often lagged other professions when change is approaching. AI is an example of this, although with good reason and it is an area where solicitors must tread extremely carefully in order not to fall foul of the professional and ethical responsibilities as well as insurance considerations. This year's report seems to indicate that the push to use AI is apparent across the vast majority mid-sized law firms.

Another area where law firms have been more cautious than other professionals is in respect of external investment. The accountancy sector for example has seen a surge in PE investment into mid-tier or larger practices in recent years. This has not been the case for law firms who have looked at traditional partner capital as means to succession and progression. However, the results of this survey reveal that this is changing. Almost 70% of responses indicated that they have been contacted by a PE investor or PE backed firm within the

last 12 months. The reasons for considering such investment are varied but as more and more law practices adopt such an approach, it will be difficult for others not to follow.

This also ties into the continued reluctance to enter into partnership. As well as the reasons already cited for not wishing to take this step, there appears to be another angle to this. PE investment tends to benefit the senior equity partners and those who are looking to retire. In the short term, such partners are likely to benefit from a cash windfall because of this. The more junior partners are unlikely to see the benefit of such funds personally but will be the ones who have to report results to the investors and ensure the profitability projections are being met, whilst having to relinquish much of the day to day control they have worked to inherit from senior partners.

The advantages for junior partners and potential new partner recruits may therefore be limited, especially if arrangements include lengthy tie down clauses and ignore other potential incentives. Such individuals may also see much of the profit they are working so hard at creating being paid out to the investors. In order to use PE effectively and ensure the ongoing success of a law practice, all partners and staff have to understand the potential benefits and buy into the process. As law firms are all too aware, without good people, the value of a practice is minimal.

Strategic outlook

As the people section of the report shows, employees want to know how they can develop tomorrow, not just today.

Staff also now see hybrid working as an expectation, not a privilege, and whilst there is no doubt of the benefits to all parties of such an arrangement, monitoring, security and efficiency concerns all need to be considered.

MHA expert opinion: whilst partners and senior employees will be easily able to undertake the same work at home as in the office, this may not be the case for junior staff and trainees. Such staff will need to learn from the more experienced individuals within the firm. Based on the anecdotal evidence we see in the market, junior staff may also find it more difficult to get hold of managers and partners at home, than if they are sitting in the same office.

What the financial results of the survey also reveal is that compared with last year there has been an uplift of 20% in the number of firms reporting an increase in turnover of over 5%, which is encouraging. The number of practices reporting net profit of up to £6 million has fallen by 14%, with an equivalent increase in firms reporting net profit of £6 million or greater. This indicates that whilst rising costs and wages are seriously impacting mid-tier firms, an accompanying increase in charge out rates reported in 2025 has helped to protect and improve profitability.



Strategic outlook

With higher technological costs and salaries going up, it is difficult to see how law firms will be able to curtail their material expenses over the next 12 months. With a stabilisation of hybrid working, firms have generally established office space requirements to plan for the next few years.

One good piece of news is that professional indemnity insurance costs have moderated for many firms given

a general softening of the PII market reflecting significant competition between insurers.

Whilst ESG remains on the agenda for mid-size law firms, it does not appear to be as key to firms' strategies as last year. An ESG policy is seen as a given for such practices especially if they are pitching to large corporates for work.

MHA expert opinion: all these factors as outcomes of strategy stand to impact each mid-sized firms' culture which – reflecting attitudes, beliefs, values and norms of a firm – is critical to performance and growth. Culture can also be viewed as determining the equilibrium state of a practice, disruption to which by firms' changing their strategic outlook may have a negative impact, particularly without a clear vision, employee engagement, and communication.

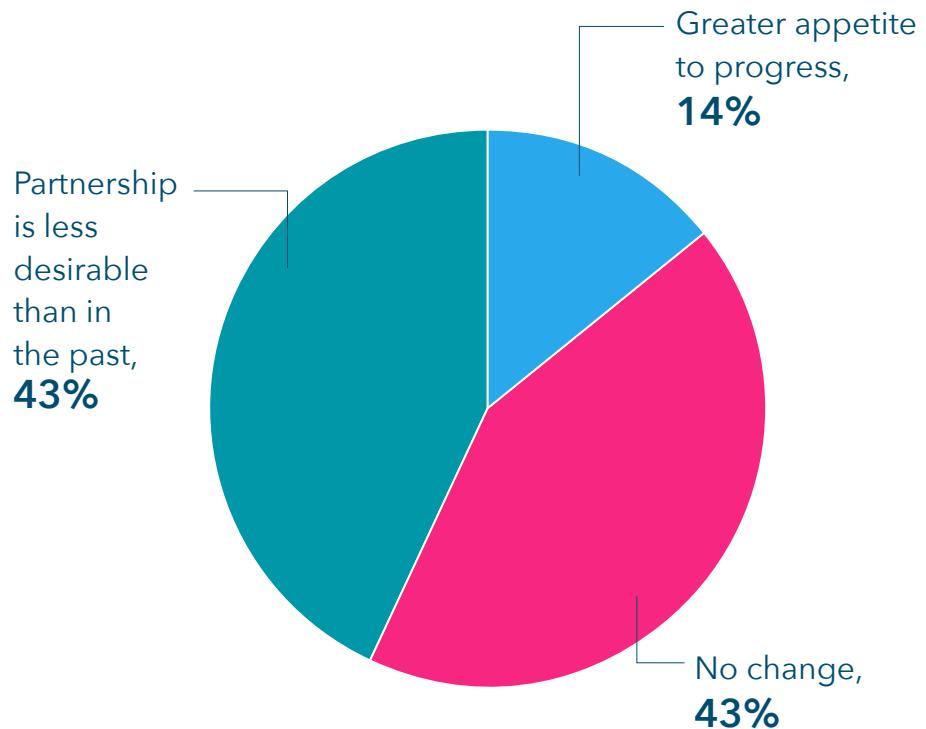
People

The 2026 report highlights the ongoing evolution of workforce dynamics within mid-sized law firms, showing that recruitment, retention, and progression remain central to strategic planning.

Appetite for partnership: the traditional partnership route continues to lose appeal among senior staff. Only 14% of respondents reported a greater appetite to progress to partnership, while 43% saw no change, and a notable 43% indicated that partnership is less desirable than in the past.

This sustained shift reflects a wider trend seen across the profession over the last few years, as individuals weigh the additional responsibilities and personal liabilities of partnership against alternative career paths offering improved work-life balance and financial stability. The result may be a gradual decline in traditional partnership structures, prompting firms to reconsider their succession and reward models to retain senior talent.

In relation to the appetite of senior staff to progress to partnership, in the future do you see there being...?



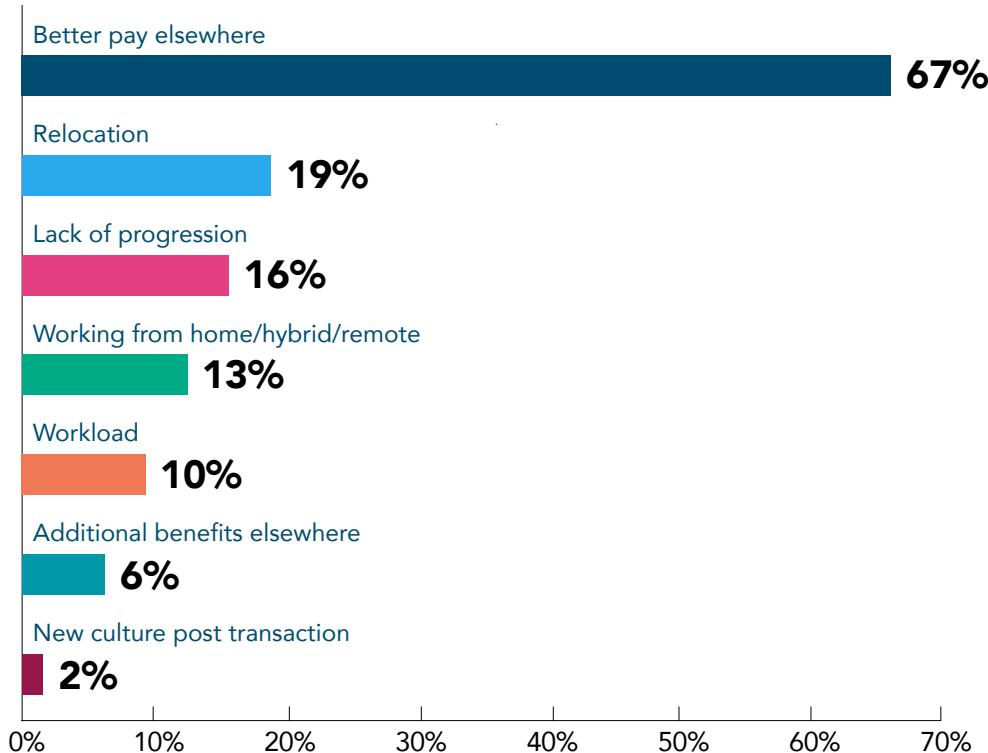
People

Staff turnover and retention: staff turnover levels remain broadly stable, with the majority of firms maintaining relatively low attrition rates. 43% of respondents reported staff turnover between 1% and 5%, while a further 38% experienced rates between 6% and 10%. Only 6% of firms recorded staff turnover exceeding 15%, suggesting that mid-sized practices are largely succeeding in maintaining workforce stability despite ongoing cost pressures and recruitment challenges.

However, the reasons behind departures reveal familiar pain points. The dominant cause remains better pay elsewhere (67%, up from 65% mentioned by all respondents last year), reinforcing the impact of salary competition in a tight labour market. Other common factors include lack of progression opportunities (16% down from 24% last year) and relocation (19% down from 31% last year), whilst 13% cited hybrid or remote working arrangements as a factor – indicating that flexibility policies continue to influence retention and employee satisfaction.

These findings suggest that firms need to balance competitive remuneration with clearer career pathways and transparent development plans. The data also underscores that flexibility has become an expectation rather than a benefit, with working-from-home policies now influencing both recruitment and attrition.

What are the most common reasons for staff leaving your firm?



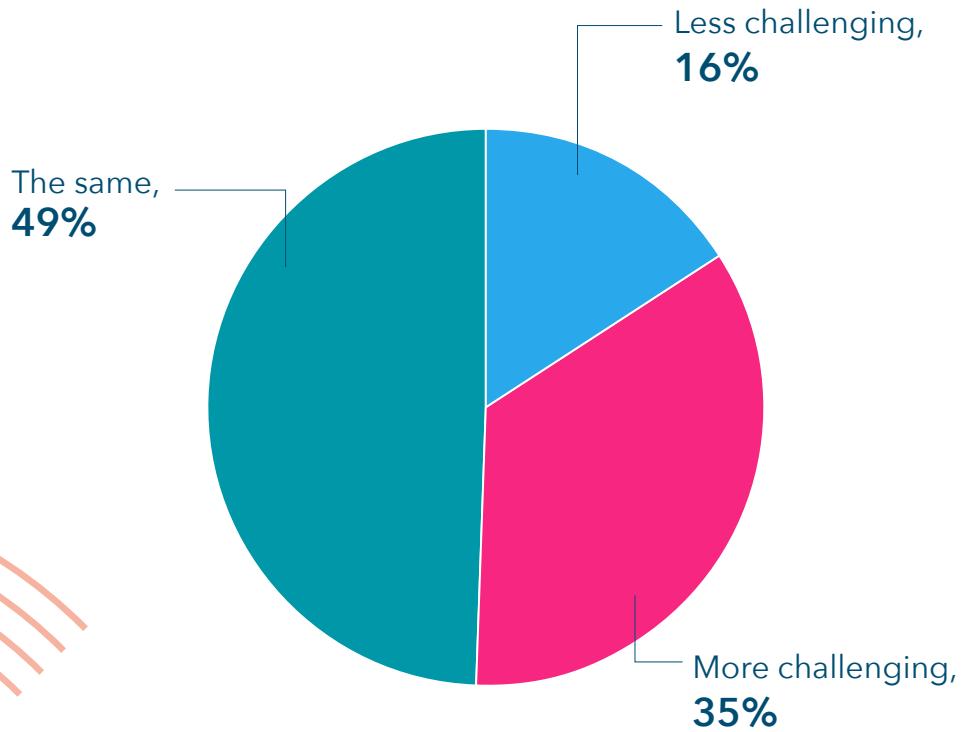
People

Recruitment challenges: recruitment continues to test mid-tier firms, though conditions appear to be stabilising. 35% of respondents reported that hiring new employees is now more challenging than a year ago, while 49% said it was about the same. Only 16% found it less challenging.

The combination of salary inflation, candidate expectations around hybrid work flexibility, and competition from larger firms with more structured training programmes continues to exert pressure on mid-sized firms. Those that are able to define a distinct employer value proposition – through culture, progression, or specialist expertise – are best placed to attract high-calibre candidates.



What is your experience of recruiting new employees compared with 12 months ago?



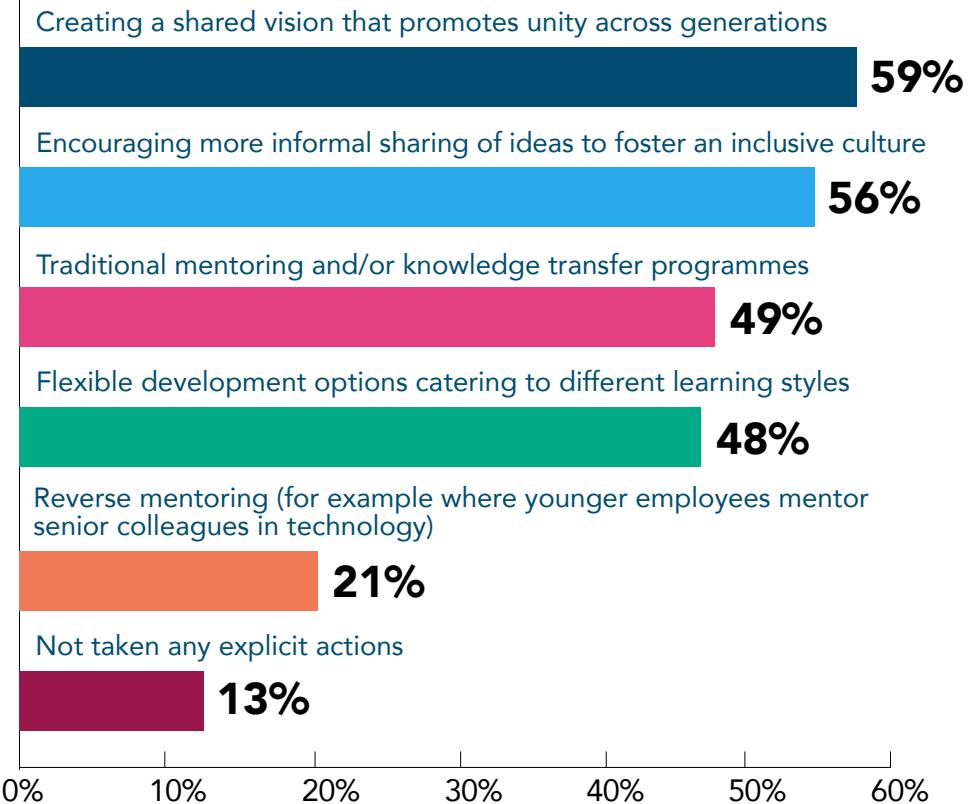
People

Generational attitudes and workforce engagement:

respondents report a growing focus on engaging an increasingly multi-generational workforce. The most common actions taken include creating a shared vision that promotes unity across generations (59%), encouraging informal sharing of ideas to foster inclusivity (56%), and traditional mentoring programmes (49%). Nearly half (48%) have introduced flexible development options catering to different learning styles, while 21% have implemented reverse mentoring schemes, where younger staff mentor senior colleagues – often in areas such as technology.

Only 13% of firms have taken no explicit action to address generational change, underscoring that most firms now recognise the need to adapt leadership and development approaches to maintain engagement and continuity.

What actions has your business taken to address the changes in generational attitudes within the workforce?



People

MHA expert opinion: recruitment remains competitive, but differentiation through firm culture, flexible policies, and meaningful career development remains the most sustainable solution. As generational attitudes evolve, firms that foster inclusive communication and invest in mentoring across all levels will be best positioned to secure loyalty and productivity from their teams.

Mid-sized law firms appear to be entering a period of stabilisation in workforce trends. Staff turnover levels remain manageable, and hybrid working models are now an established part of firm culture. However, the continuing decline in appetite for partnership progression presents a long-term succession challenge. Firms will need to innovate their career structures - introducing alternative leadership roles or reward models - to ensure continuity and retain top performers.

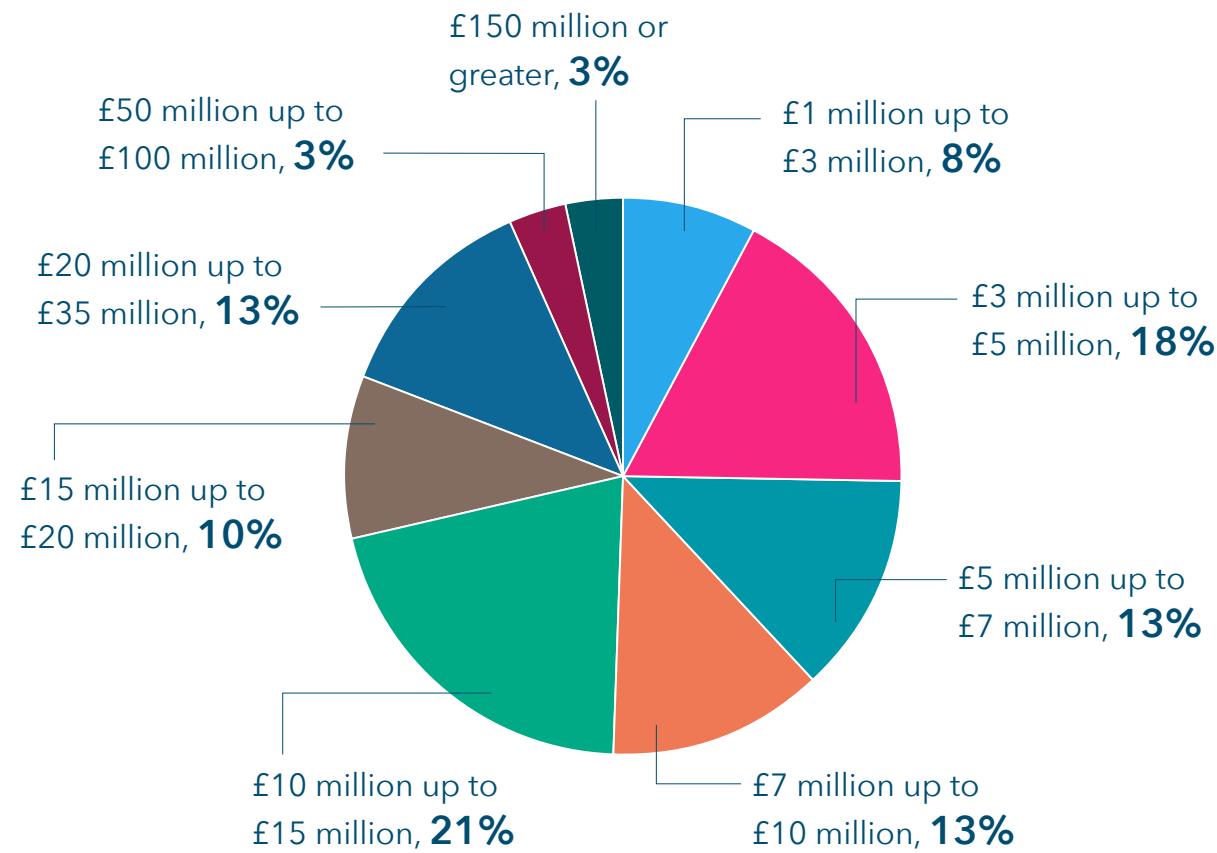


Financials

We reviewed various financial information markers about firms responding to the survey, including turnover, profits, charge out rates, chargeable hours, pricing models and borrowing, to identify trends across the market.

Turnover: the firms surveyed fell into the turnover bandings for the last financial year as shown in the chart. The information presented in this section of the report primarily relates to those firms generating turnover from £3 million to £35 million who comprised over 85% of the sample.

In which category was your firm's total turnover in your latest complete financial year?



Financials

Our analysis and comparison with the previous year shows that 62% (up from 42% from last year) of firms have seen an increase in revenue in excess of 5% year-on-year, with 37% reporting an increase in excess of 10% (up from 26% last year).

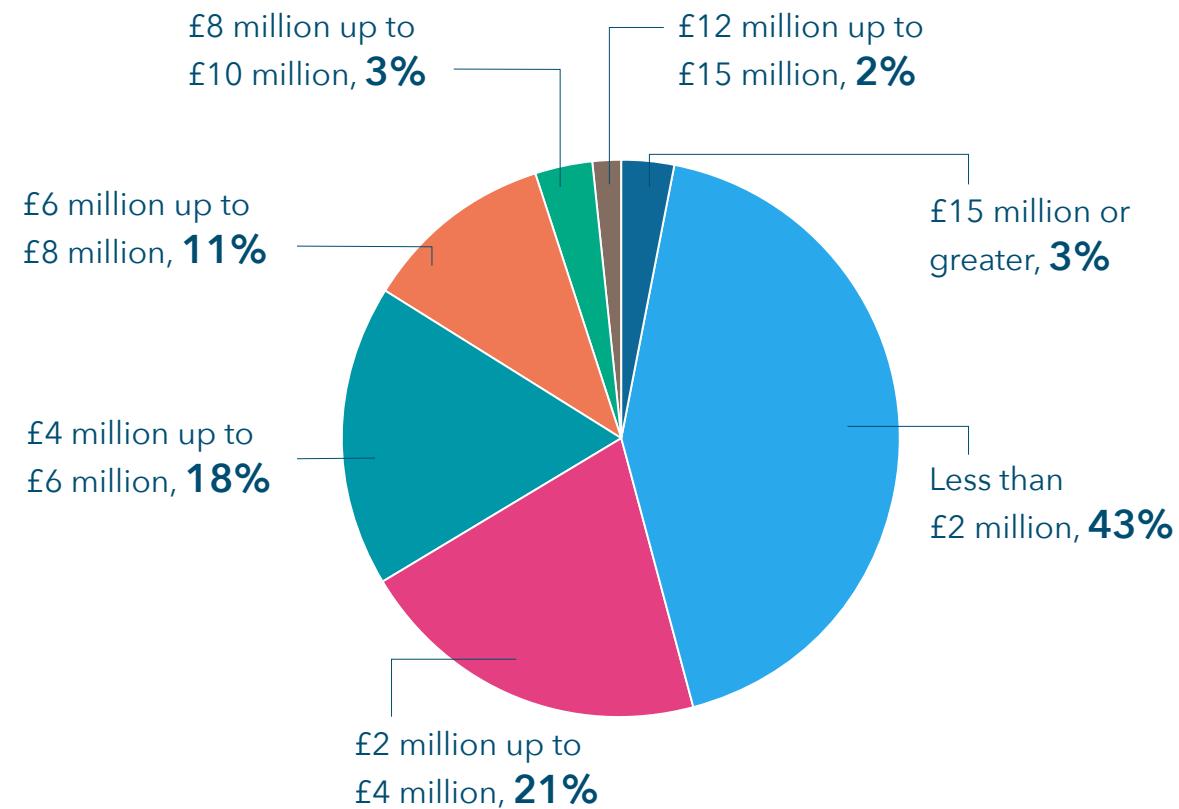
There could be a number of reasons for this increase, including higher prices being charged by firms to offset rising costs being faced, more specialist services being provided commanding higher fees and consolidation of law firms making the remaining firms larger in size than has been seen previously.

Additionally, it has been noted that many firms are now appointing leadership positions to non-legally trained individuals who have a sharper focus on running the firm as a business, developing growth strategies and improving efficiencies.

Of the firms surveyed only 3% saw a drop in turnover and 13% of firms reported turnover has remained at the same level as in the previous year (down from 19%). The low number of firms with a reduction in turnover is in contrast to that seen in the previous survey which saw 13% of firms experiencing a decline.

Net profit and costs: another key performance indicator for many firms is net profit (being turnover less expenses).

What was your firm's net profit before tax in the last financial year?



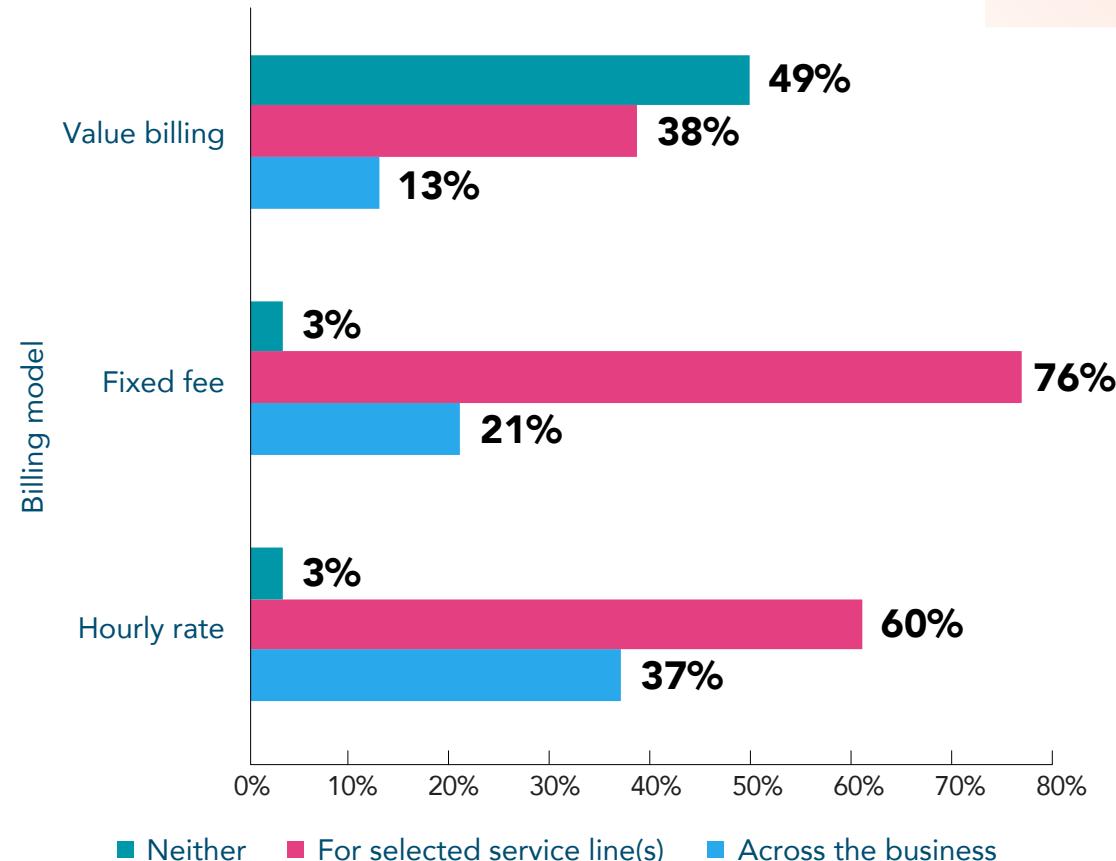
Financials

Of the firms surveyed, 81% (down from 95% last year) achieved net profit levels in their last financial year of up to £6 million. The majority of firms, 43% (down from 48% last year), are still, however, only seeing net profit levels of up to £2 million. This indicates that whilst turnover is increasing, so too are costs.

This cost increase is not unexpected given additional personnel costs with the increase in National Insurance and the ever-present expense of PI premiums.

Pricing and billing: pricing models have been a hot topic for law firms for a number of years, but most mid-sized firms still adopt either hourly billing models or fixed fee models.

Which of the following pricing models does your firm operate?



Financials

The survey shows that 49% of firms are still not using value billing, instead, focusing on inputs (which are not always recorded accurately).

This will need to be a consideration for law firms moving forward as developments in AI are likely to mean that certain tasks can be taken away from fee earners and completed in a much shorter timeframe. The expectation from clients may be that if processes are quicker then fees will be lower, so law firms will have to rescope the value they provide to clients focusing on efficiency and results.

What is surprising, given the ongoing developments in AI and the cost pressures being faced by firms, is that, of the firms surveyed 33% have not considered changes to their pricing model in the last 12 months.

Inputs: the concepts of hourly charge out rates and billable hours are long engrained in the ethos of running a law firm.

Our latest results show that average partner/director charge out rates have increased when compared to the findings from the previous survey. The most common hourly charge out rate for partners/directors was between £301 and £400, which applied to 52% of firms, compared to 32% in the previous survey when 47% of firms fell into the £201 - £300 banding.

It should be noted that charge out rates do vary depending on several factors, such as geographical location, with city centre practices commanding higher rates, and London rates generally the most elevated. In addition, firms operating in more specialist markets lend themselves to higher rates.

The number of chargeable hours per fee earner has remained relatively consistent from the previous report to this, with 83% of firms noting an average of 15 - 30 per week, compared to 84% in this banding in the previous report. Within this range, 41% are recording between 20 and 25 hours, compared to 39% in the previous report.

For a typical 40-hour week, the average fee earner billing between 20 and 25 hours is achieving 50% - 63% chargeable time. This may indicate that fee earners are working on non-chargeable tasks or not recording all of their time. However, given the earlier points around AI and the potential for value billing, time-based inputs and metrics have the potential to become relatively less important for law firms in the future.

Financials

Borrowings: external borrowing typically involves bank loans which firms or businesses may use for working capital, technological investments or covering expenses (such as PI and practicing certificate fees).

The majority of firms surveyed (70%) have external borrowing of less than £500,000. This is comparable with the results seen in the last survey in which 73% of firms had borrowings within this banding. Interestingly, the last survey showed that only 8% of firms had borrowings of more than £1 million, but this has now increased to 13%. This shows that those firms taking the leap with external borrowings are doing so on a larger scale.

The funding needs of firms are dependent upon a number of factors including the type of work undertaken, the financial position of the owners of the firm and the strategy of the firm.

Whilst there has still been some hesitancy in the approach to debt over the last year, it would be expected that with technological developments there will be a greater need for funding for more firms in the future.



Technology

Technological advancements remain key to progression and growth for law firms, and this year more so than previously. On the question of whether firms are planning any significant IT software and hardware changes in the next 12 months, 65% responded that they were compared to 48% last year. This highlights the need to enhance how advice is given to clients and the speed at which responses are expected.

In addition, law practices are finding that they need to spend more in order to ensure they are protected sufficiently against any cyber-attacks, which unfortunately have become much more common. As the technology becomes more advanced and complex with varying platforms sharing data, the risks become greater too. Law firms have been fined for cyber-attacks that led to sensitive and confidential information being published on the dark web. In September 2025, the Law Society issued "Cyber Security guidance for Solicitors" which included recommendations for firms to get cyber certification. There are also insurance implications from potential cyber-attacks, and firms are investing in insuring against such incidents to the extent they are able to.

23% of those firms surveyed intend to finance investment in technology by external borrowing, with the remaining using retained profit to fund improvements. The percentage of firms looking to borrowing for such spending has increased from 10% recorded last year meaning that either retained profits are not at the same level to fund such investment, or that the type of technological improvements have changed and require extra capital commitments. Such spending may be on new legal practice management systems as well as investing in AI technology.

AI seems to be one of the driving forces behind increased spending on technology with 65% of firms now saying they are using AI in their business. This represents a doubling in the number of mid-sized law firms using AI technology in only 12 months (after 24% reported use last year). Only 3% of firms responded that they had no plans to look at using AI in the next year, reduced from 27% last year.

Technology

Responses to a question on how firms are already using or plan to use AI revealed that a wide range of applications are being tried, both bespoke and generative. However, there remains some uncertainty as to the overall benefit of using AI and ways it can be deployed in practice.

On the broader implications of AI we asked:

What is your perception as to whether AI will positively or negatively impact development of the following aspects of the solicitors' profession in the next 5 years?

Aspect	Positively impact	Negatively impact	Neither/unsure
Key principles & institutions	33%	14%	52%
Talent development	38%	43%	19%
Productivity	94%	2%	5%
Scale of the workforce	25%	44%	30%
Professions' role in communities	17%	24%	59%

Technology

It is interesting that with respect to talent development, there is almost an equal split between those perceiving AI will have a positive and those indicating a negative impact. Positive perceptions potentially reflect access to greater resources and using this to enhance development, with the flip side being an over reliance on AI which may result in employees taking short cuts and not developing to their potential. There is little doubt that mid-size law firms nearly all believe that AI will improve productivity, although the extent to which this will happen remains uncertain.

Overall, the mid-sized sector believe that AI will be beneficial to the industry, with only 17% seeing it as "somewhat detrimental". Those who do not see the benefit may have concerns as to how AI can be used in practice or have not explored the options as to its use in their business. Solicitors who don't embrace AI risk being left behind as their competitors seek to benefit with what it has to offer.

MHA expert opinion: law firms' take on AI is no longer a question of if they will use it in some form, but how it will be implemented. As technology moves forward, so too must the profession. However, at this stage of its development, AI should be used with caution.

It does have to be remembered that AI is not at a mature level where it can be totally relied on, and the risks of using generative AI and passing it off as the law firm's advice can be a dangerous option. We have seen situations where two different AI tools being asked the same question can result in different answers and neither of these may be correct. That said, bespoke legal tools do appear to be more established than they were 12 months ago.

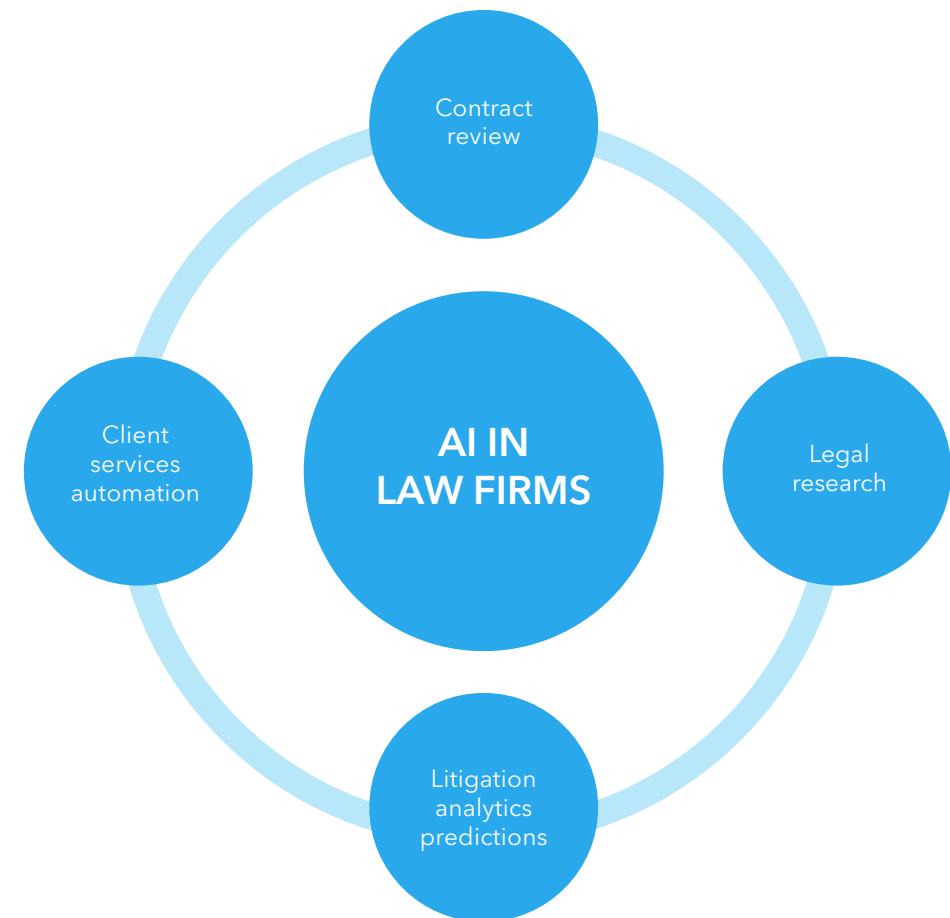


Technology

The use of AI seems to be most beneficial in taking over roles that are commonly time-consuming and may be resource heavy and susceptible to mistakes. These include contract analysis, legal research and predictive modelling. What AI cannot replace is the relationships solicitors have with their clients. It is those relationships that differentiate law firms who undertake the same services from one another. Where human interaction is the key differentiator to what AI can offer, the rapport with clients will be increasingly important to develop for the next generation of employees and partners in the profession.



How AI is being used to undertake some chargeable work is shown below:



Premises

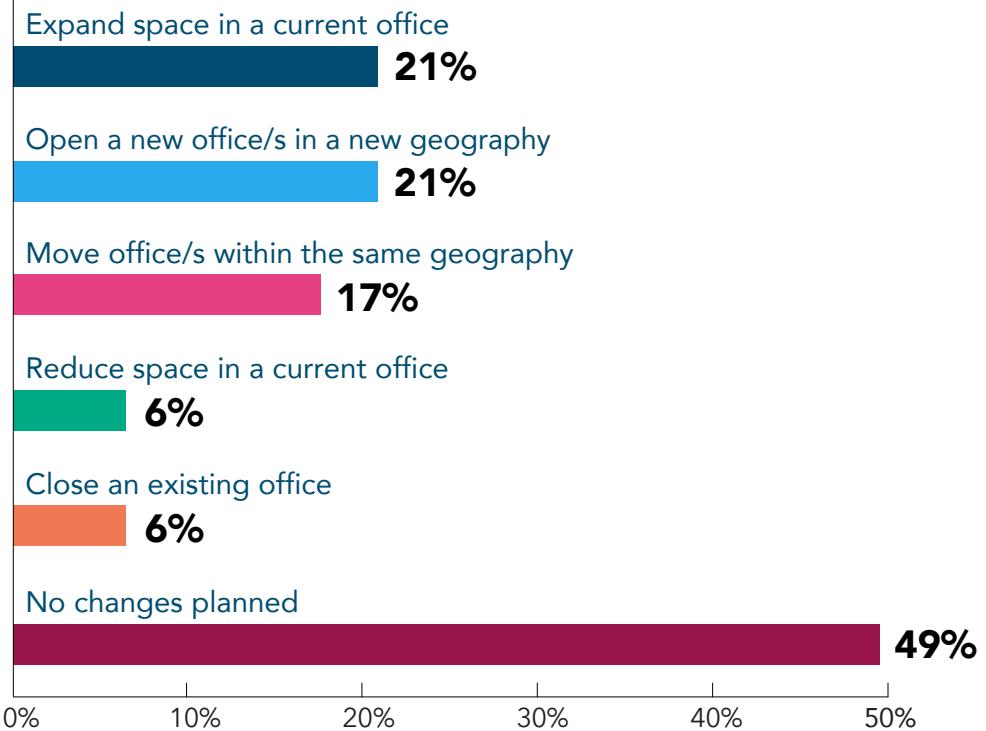
The 2025 survey highlights a continued evolution in office strategy among mid-sized law firms, as hybrid working practices mature and firms focus on consolidating existing premises rather than large-scale relocation.

Office Strategy and Future Plans: almost half of respondents (49%) confirmed that no changes are planned to their office space in the next 12 months, similar to the proportion last year and signalling that many firms have now settled into post-pandemic occupancy patterns. Of all firms responding to the survey, 21% intend to expand space within a current office, while the same proportion plan to open new offices in different geographies, reflecting ongoing ambitions for regional growth.

A smaller proportion (17%) are considering moving premises within the same location, often linked to the need for more modern, efficient layouts rather than expansion alone. Only 6% of firms plan to reduce space or close an office in line with the proportion last year, suggesting that reductions in physical footprint have largely already taken place in earlier years.

These findings indicate that firms are increasingly viewing premises decisions through the lens of long-term business development, with expansion driven by client reach and talent attraction rather than reactive cost-cutting.

What are you planning to do with office space in the next 12 months?



Premises

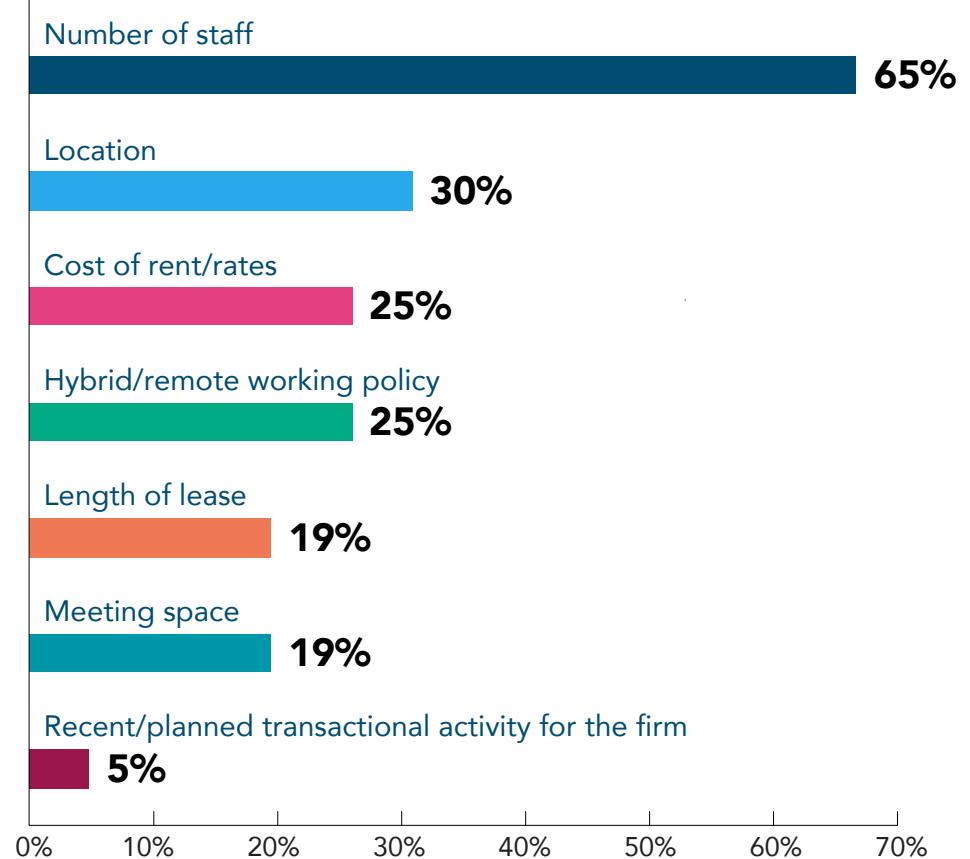
Drivers Behind Property Decisions: when asked about the factors influencing their property plans, staff numbers emerged as the dominant driver, cited by 65% of firms (compared with 63% last year). This demonstrates that while hybrid working remains influential, office planning continues to be shaped primarily by headcount and recruitment.

The impact of hybrid and remote working policies remains significant, influencing 25% of firms' decisions (down from 39% last year). This shows that flexibility continues to play a material role in office design and utilisation, but firms appear to be focusing on optimising collaborative space rather than shrinking overall square footage.

Other notable factors include location (30%, down from 48% last year), cost of rent and rates (25%, up from 21% last year), and meeting space requirements (19%, down from 32% last year). These figures highlight the balancing act firms face between cost efficiency, accessibility, and maintaining a workplace that supports both collaboration and client service.

Only 19% of respondents referenced the length of lease as a key issue (down from 21% last year), indicating a minority of firms continue to make property decisions based purely on lease events. Transactional activity (e.g. mergers or acquisitions) was cited by only 5%, indicating that premises changes are more often linked to operational needs than corporate restructuring.

What are the key issues driving your property plans for the coming 12 months?



Premises

Hybrid Working and Space Utilisation:

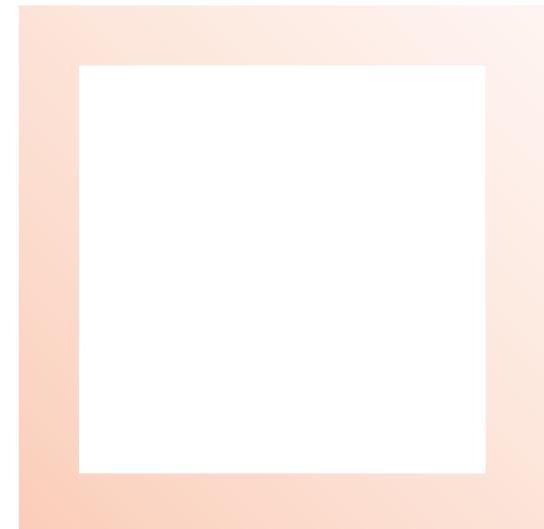
with hybrid working now embedded across the profession, most firms appear to be recalibrating rather than redefining their space requirements. Office design is shifting toward collaborative layouts, flexible meeting areas, and shared-use zones that can accommodate fluctuating attendance levels throughout the week.

Feedback suggests that some firms that downsized during 2020-2022 are now reaching capacity again as in-office attendance increases, creating renewed pressure for expansion or refurbishment projects.

Refinement – not reduction: premises strategy among mid-sized law firms has entered a more measured phase. The focus is now on refinement rather than reduction, as firms seek to balance hybrid flexibility with operational cohesion and client-facing professionalism.

While hybrid working continues to influence design, the dominant role of headcount in property decisions underscores the ongoing need for physical collaboration space. Firms should continue to view their offices as an enabler of culture and training rather than simply a cost centre.

MHA expert opinion: for those expanding into new regions, careful consideration of local markets and remote-working patterns will be key to ensuring that new premises support both growth ambitions and long-term sustainability.



Environmental, social and governance (ESG) considerations

When asked about the value and benefits seen or expected from having a formal ESG policy the responses were varied, but what is clear is that having a formalised policy in this area is seen as generating several far-reaching benefits.

Corporate Social Responsibility (CSR) objectives: the main benefit firms see to having a formal ESG policy is to assist in meeting Corporate Social Responsibility (CSR) objectives. 62% stated this was a benefit of an ESG policy.

MHA expert opinion: having a formal policy will help provide focus to teams and instil internal accountability. This goes hand in hand with firms preparing for potential future risks and creating an environment for improvement and growth. Having a comprehensive ESG policy can also lead to improved financial performance, with environmental initiatives having the capacity to reduce operating costs.

Improved client reputation: given increasing societal awareness of ESG issues, clients are taking a keen interest in the ESG policies of the firms they work with. A policy for ESG potentially sets the tone about the ethical culture of the firm and could assist in building a level of trust between clients and firms. This was reflected in 52% stating improved client reputation as a benefit of a formal ESG policy.

Talent retention: employees, especially younger generations, may prefer employers with clear ESG policies and values. Policies on diversity, inclusion, equity and community engagement can improve morale and build better culture. 48% of those surveyed viewed talent retention as a benefit of having an ESG policy.

Access to larger clients: reflecting the potential expectation amongst clients that mid-tier law firms should have an ESG policy, 16% think that this will grant them access to larger clients in the market.

Environmental, social and governance (ESG) considerations

Requirement of external investor and value of the business: 6% of responses indicated that having an ESG policy may be a requirement of external funders and may increase the value of the business.

Having a robust ESG policy signals responsible corporate behaviour, enhances firm reputation and can be a differentiator from competitors. All these factors add up to a potential for enhanced value of the business, which was cited by 22% of respondents as a benefit of a formal ESG policy. This is particularly pertinent when thinking about the increased investment from PE firms in the market. There is potential for more investment of this nature over the coming years and as such firms may want to consider factors that enhance values for maximum investment potential.

Growth plans *including mergers and acquisitions*

MHA view: 2025 has seen a shift in the legal and wider professional practice landscape with PE investors taking more interest than ever before. This is impacting the thought process of partners relating to the value of their firms and reducing the attractiveness of the traditional merger model. In addition to delivering value to the equity partners in a firm, PE investment comes with funding to accelerate growth and investment. This trend is expected to continue and indeed gather pace in the coming years, particularly because the legal sector remains highly fragmented and therefore buy and build strategies are attractive. Additionally, investors see the sector as being open to significant opportunity in terms of efficiencies that can be achieved through better IT infrastructure, the use of AI and driving cross selling via sales focussed CRM systems.

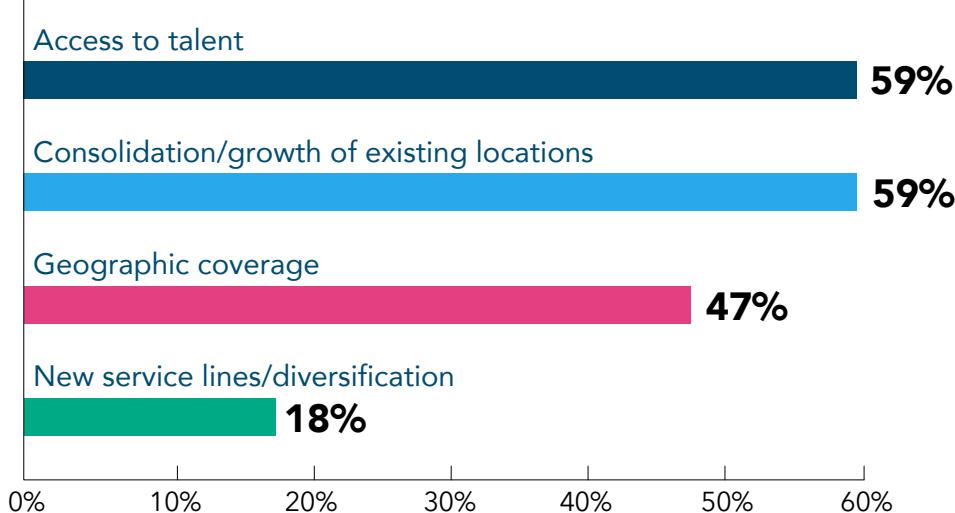
In our survey we asked respondents whether they have completed an acquisition or merger in the last 12 months or are intending to do so in the next 12 months. An interesting development appears to be the decline in 'mergers' and the rise of 'acquisitions'. Whilst the reality has always been that a true merger rarely exists, there appears to have been a recent acceptance that deals are in fact acquisitions. Only 2% of firms claim to have undertaken a merger in the last 12 months and 3% plan to do so in the year ahead, whilst 13% have completed an acquisition and 17% intend to acquire in the next year. Compared to 12% of respondents undertaking either a disposal, merger or acquisition in the 12 months prior to the last survey, 18% reported such activity over the previous 12 months in 2025.

The fact that only 22% of firms are considering a disposal, merger or acquisition in the next 12 months is lower than one would expect in a consolidating market and this is unchanged from last year. In contrast, 46% of firms stated that increasing market share is their greatest opportunity in the foreseeable future. Clearly many firms are still happy to rely on an organic growth strategy in the short term, but in a tightening market this may be increasingly challenging.

Of the firms that stated they have, or intend to, pursue growth through merger or acquisition there are three business cases identified through the survey as access to talent, growth of existing office locations and geographic expansion.

Growth plans *including mergers and acquisitions*

If you have conducted or are considering a merger or acquisition, what are you hoping to achieve?



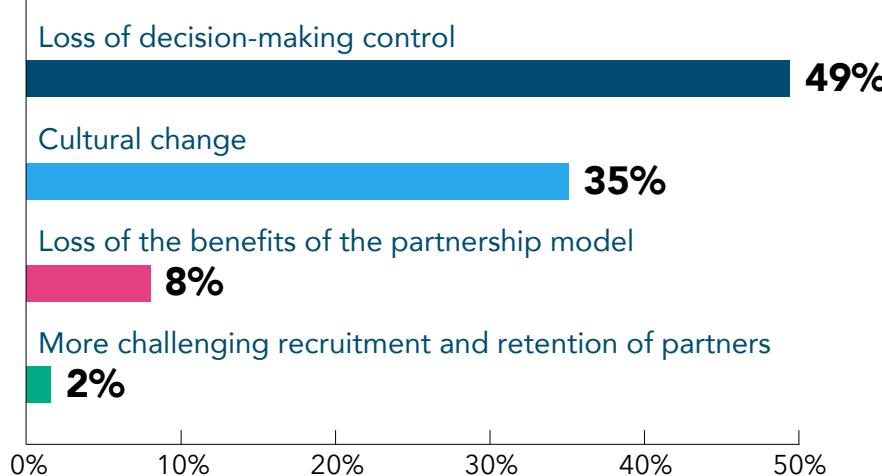
MHA view: in what has historically been seen as a more cautious profession than others such as accountancy or property, we believe that two in every five firms surveyed being open to acquisition by PE indicates a noticeable shift in opinion. It was not very long ago that the thought of such a strategy would be given short shrift by industry leaders. As the PE driven M&A market gathers pace, firms will be faced with the decision of either staying as they are and gradually falling behind the competition or getting on the bus to keep pace. Interestingly, 24% of firms believe that an IPO is a viable option for a growing mid-sized firms - as they have likely seen the increased interest rippling through the accountancy sector - but this appears to be at odds with the feedback we are hearing anecdotally in the market. One of the factors behind this may be the perceived disadvantages of the PE route flagged by respondents.

In relation to external investors, 70% of the mid-sized respondent firms have been contacted by a PE investor or a PE backed firm in the last 12 months. This clearly demonstrates the reach of the investors and the significant resources that are being deployed in the legal sector. Moreover, 37% overall and 41% of firms approached would be open to being acquired into a PE model.

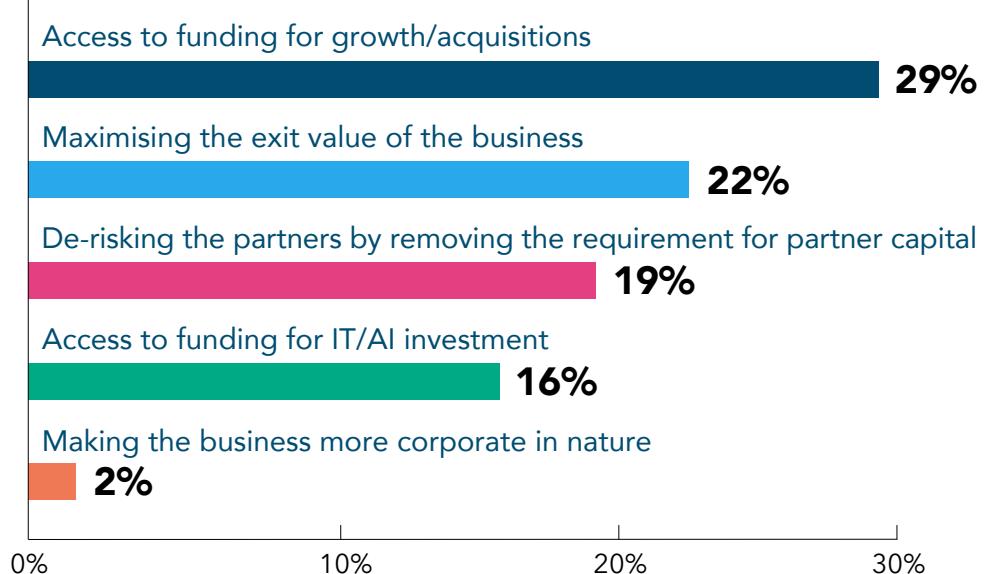
Amongst all survey respondents, 49% of respondents were concerned by the erosion of decision-making control if a PE investor were involved in a firm and a further 35% were worried about the resultant cultural change. These two factors were ranked significantly above any other concerns.

Growth plans *including mergers and acquisitions*

What is the greatest perceived disadvantage of PE investment?



What is your greatest perceived benefit of PE investment?

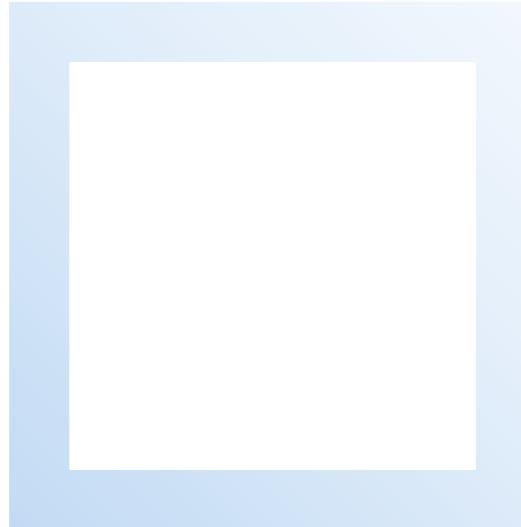


Whilst PE investment was perceived to have potential disadvantages, we also asked respondents to tell us their perceived advantages of the PE route. These fell into two categories, firstly respondents felt that taking investment would improve the position of partners particularly through a lesser need for partner capital investments and secondly by maximising the exit value of the business. This indicates the historic model of a partner retiring and simply getting the capital repaid is being challenged, and the temptation of the capital value model gathering pace.

The second set of advantages relate to the ability of an investor to fund growth. The top two responses were that the PE route unlocks acquisition-based growth and secondly would facilitate investment in IT and AI. These both reflect the professional services sector historically being unable to access significant funding as a result of the full distribution model. If all of the profits are leaving a business each year, then it becomes highly dependent on partner capital to fund operations and debt funding is equally limited.

Growth plans *including mergers and acquisitions*

MHA expert opinion: we would encourage all firms to have an active debate about future strategy and at least consider all of the possible options in what is a quickly evolving landscape. PE led transactions will increasingly account for a greater percentage of transactions both in terms of initial investment and those investee firms deploying funds through an aggressive buy and build strategy. PE will also deploy capital to invest in best-in-class IT platforms and AI applications to maximise efficiency and cross selling opportunity.



Conclusion

Whilst there have been some consistencies in the results of this year's survey compared to the previous one, 2026 promises to offer its own opportunities and challenges for mid-size law firms.

Whilst none of us know what the future holds, we can plan based on the variables at play and trends in the business environment. We do know from recent years, that when the unprecedented does happen, law firms have the tendency to make the most of the situation by remaining agile and adaptable so they can continue to flourish.

Strategy continues to be all important, but its direction may have changed slightly for many mid-sized firms. Some of this may be due to technological advances such as AI or the fact that PE investors are knocking at the door with the opportunities that might offer.

Other drivers of strategy may be forced upon firms such as a rise in costs and taxes. The expectation of government to raise taxes over the next few years continues to be a restraint to growth.

Law firms must also face the regulatory pressures which can be difficult to navigate and impact commercial decisions. The SRA who are undertaking a Consumer Protection Review have not yet

published their full findings but this may result in changes to the Solicitors Accounts Rules and areas of compliance. Such changes have a time as well as a monetary cost, as training is required and the reputational damage alone of falling foul of the SRA represents a huge challenge.

Whilst merger and acquisition activity is increasing, it is vitally important firms undertake appropriate due diligence on the client account as well as the financial statements of any target. Failure to do so may not only result in regulatory problems, but a potential huge cost to correct discrepancies which may make the merger a commercial disaster. Ensuring the right professional advice is sought early is key to success and realising the opportunities available to their maximum potential.



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