

You priced the matter correctly: so why was it still unprofitable?

Date: Monday October 5, 2026

A law firm partner is asked to provide a fee quote for a piece of work. The partner scopes the work carefully, prepares a sensible budget and agrees on a fee that should deliver an acceptable profit margin to the firm, while also providing the client with good value for money.

The client accepts the proposal. A few days later, work commences on the matter. Everyone is busy and the matter appears to be progressing well.

Several months later, the Finance team calls the partner: something has gone wrong. The original fee estimate has been blown. The firm is now looking at having to write off a substantial amount of work in progress (WIP).

So, what went wrong? How did such a carefully budgeted matter go off the rails?

The answer is that often the price was not the problem. The matter was priced correctly, but it was not delivered in the way it had been priced. Assumptions had been made in the pricing process that were not carried through to the delivery stage.

A good fee estimate is only the starting point

When a partner prepares a fee estimate, it is built on assumptions: the likely scope, the mix of people [leverage] who will perform the work, the number of hours required, the level of partner involvement, the client's responsiveness, the volume of documents, and the number of anticipated meetings or revisions.

Often it will also include an assumption that any opposing professionals are well informed.

If those assumptions are reasonable, the price may be entirely sound on day one. But the commercial model only holds true if the

matter is managed consistently with the assumptions that resulted in the price.

When the scope expands, work ends up being done by senior people within the firm, tasks take longer than expected, or additional rounds of advice are absorbed without discussion, the original economics will quickly deteriorate.

This distinction matters. If every unprofitable matter is treated as a pricing failure, the firm may respond by increasing fees when the real problem isn't the price, it's the execution.

A higher price can provide more buffer, but it will not cure weak delegation, uncontrolled scope or delayed intervention.

The budget was frittered away because it was not actively managed

A common problem is that professionals often prepare budgets well but fail to monitor them effectively during delivery. Issues such as the following are often encountered:

> The initial budget gets filed in the practice management system with an alert to tell the partner when the matter reaches 80% of the fee estimate, rather than operating as a live delivery plan.

> The project team may well know the total fee estimate, but at the same time have no understanding of how that fee estimate was arrived at.

> Junior lawyers will know the top line figure, but will rarely be told how much of their time was assigned to the project.

> Supervising senior lawyers will be forewarned that they will be expected to supervise the junior lawyers, but with no communication about how much supervision will be required.

The partner assumes everyone understands what they know and so the matter will track well against the budget. Meanwhile, everyone is too afraid to ask the partner what's expected of them - in part because they have little to no knowledge about the economics of how the firm makes enough money to pay them their salaries and bonuses in the first place.

By the time the Finance team calls, the opportunity to correct the problem has passed.

Leverage: the work was performed at the wrong level

If you price upfront, then profitability cannot be managed retrospectively. A matter budget needs to be translated into phases, responsibilities and checkpoints that the team can see and use as part of the overall project plan.

Here, your leverage model will be one of the most important assumptions behind your fee quote. A matter priced on the basis that a substantial proportion of the work will be completed by junior or mid-level lawyers will not remain profitable if a partner or senior lawyer performs those tasks instead.

Scope creep: the scope changed, but the fee did not

Scope creep is rarely one dramatic event. It usually arrives via stealth - through a series of small requests: an extra meeting, another stakeholder to consult, a revised document, some research into new and unexpected legislation, a new issue raised by the other side, or a request to provide a more detailed explanation by a regulator.

Each request may appear too minor to justify a difficult fee conversation. Collectively, however, they just destroyed your profit margin.

The firm ends up delivering considerably more than it priced, while the client continues to believe everything is included.

Effective scope management does not require a confrontational variation notice every time the client asks a question. It requires clarity. The partner should explain what has changed and whether it can be accommodated within the existing fee. Sometimes the firm may deliberately absorb additional work as an investment in the relationship. That should be a conscious commercial decision, not an accidental write-off discovered months later.

Warning signs were visible but nobody acted

Most matters do not become unprofitable without warning. Early signs are usually present: a workstream is using hours faster than expected, a junior lawyer is struggling with an unfamiliar task, the client is drip-feeding information, the other party is behaving unpredictably, or the number of revisions is increasing.

By the time the matter has consumed 80 per cent of its budget with half the work still to complete, there are few attractive choices left. The firm can ask the client for more money from a weak negotiating position, reduce the quality or depth of the remaining work, or absorb the loss.

None of these options is preferable over earlier management of the problem.

Profitability is an execution discipline

Profitable matters are managed through a rhythm of short, commercially focused reviews. These do not need to become another layer of administration. At the outset, the partner should hold a kick-off meeting to brief the team on the scope, the assumptions underpinning the fee, the allocation of work [leverage] and the points at which the budget will be reviewed.

During delivery the phase, the partner should always be able to answer the following five questions:

1. What have we completed?

2. What remains?

3. How much of the budget have we used?

4. Have any assumptions changed?

5. What action is required now?

Those questions connect legal project management with pricing. If one phase has taken longer than expected, the team can adjust the approach to the next. If the work is sitting at the wrong level, it can be reallocated. If there is a bottleneck in the proceedings, what do we need to fix it! If the client's instructions have expanded, the fee can be discussed while the change is current and understandable.

The client should not be surprised either

Good matter management improves the client experience as well as the firm's margin. Clients are far more receptive to a fee conversation when it is linked to a visible change in scope and raised promptly. They are understandably resistant when issued with an invoice they had no idea was coming their way three months after the transaction closed.

Regular progress updates should, therefore, cover both the legal work and the commercial position. This does not mean sending the client an internal profitability report. It means confirming what has been completed, what comes next, whether the original assumptions still hold and whether any decisions may affect the fee.

Learn from the result, not just the write-off

An unprofitable matter should end with more than a write-off request. It should produce useful information. Was the original scope wrong, or did delivery depart from the plan? Which phase exceeded budget? Was the work allocated at the wrong level? Did the client's requirements change? Were warning signs identified but ignored?

A short matter review can distinguish a genuine pricing problem from an execution problem. That distinction should then inform future estimates, team structures, project plans and client conversations.

Without it, firms risk repeating the same behaviour and compensating by adding ever-larger contingencies to their prices.

The takeaway: disciplined delivery turns a good price into a profit

The central lesson is simple: pricing creates the opportunity for profit, but disciplined delivery converts that opportunity into an actual profitable result.

Want to turn good fee estimates into profitable matters? GSJ Consulting works with Australian law firms and professional services firms on pricing, strategy and business development. Get in touch to discuss how we can help.

The information contained in this article is of general nature and should not be construed as legal advice. If you require further information, advice or assistance for your specific circumstances, please contact us.