

2014
Law Firms in Transition
An Altman Weil Flash Survey



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Contributing Authors

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LAW FIRMS IN TRANSITION 2014

The sixth annual *Law Firms in Transition Survey* shows clear consensus among law firm leaders on the changing nature of the legal market in 2014.

Large majorities of law firm leaders responding to the survey agree that greater price competition, practice efficiency, commoditization of legal work, competition from nontraditional service providers, and non-hourly billing are all permanent changes in the legal landscape. For the most part, these are changes that have been imposed upon them from without – from more demanding clients and more competitive newcomers who are challenging the rules of legal service delivery.

When asked about the most likely change agent in the legal market over the next ten years, 34% of law firm leaders identified corporate law departments as the force most likely to lead change; 32% chose technology innovation; and, 15% selected non-law-firm providers of legal services. Only 10% of respondents believe that law firms will take the lead in reinventing the legal market.

Firm leaders also agree on the consequences of the shifting marketplace, although with less unanimity. Most expect to see smaller annual billing rate increases, fewer equity partners, more part-time and contract lawyers, reduced leverage, and slower growth in profits per partner.

Despite this daunting self-assessment, law firms are proceeding without an apparent sense of urgency. Most firms are making some adjustments, and some are testing new strategies, but there is certainly not a groundswell of change.

Strategic Change

Less than half of the law firms surveyed are responding to the pressures of the current market by significantly changing elements of their traditional business model.

Thirty percent of firms report they are changing their strategic approach to pricing in 2014. Thirty-nine percent of firms are making significant changes to efficiency of legal service delivery. And forty-six percent are making meaningful changes in lawyer staffing strategies.

The survey found changes in pricing and efficiency were more often driven by external client demands and market pressures, while changes in lawyer staffing were more likely to be internally driven decisions made to improve profitability.

Larger Firms Doing More

On issues of strategic change, this year's survey showed larger firms (those with 250 or more lawyers) clearly doing more than their smaller-firm colleagues.

Nearly half of all firms with 250 or more lawyers report changing their strategic approach to pricing, while only 22% of firms with 50 to 249 lawyers are doing so. In the area of efficient legal service delivery, 54% of the large firm group was pursuing change, compared to 34% of the smaller firms. On lawyer staffing strategy, 59% of larger firms report making significant changes as opposed to 41% of the smaller firms.

In a series of questions about activities related to pricing, efficiency and staffing change, the survey found that larger firms were more likely to be engaged in 17 out of 18 of the specified activities, and up to twice as likely to undertake those efforts.

There was also a noteworthy difference in the drivers of change. Larger firms were more likely than smaller firms to report being driven by external market and client pressures in all three areas.

Pricing

Law firms surveyed report a 4% increase in overall billing rates for 2014. Countering the increase, firm leaders report that, on average, their firms provide discounts on 21% to 30% of all hourly rates.

Ninety-two percent of firms are using some non-hourly billing, and nearly half of those firms report increasing non-hourly fees as a percentage of total revenue in 2013. Although alternative fee arrangements are hardly a new strategy, only 16% of firms that use them have been able to make them more profitable than hourly fees according to the survey.

Firms are pursuing a number of tactics to support their pricing efforts. Seventy-three percent report they are developing data on the cost of services sold. Forty-nine

percent are training their lawyers to talk with clients about pricing, and 45% are identifying each of their client's unique pricing preferences. Each of these should be a relatively simple undertaking for law firms and should be universally embraced.

Practice Efficiency

Each year since 2011 when we first asked the question, more than 90% of firm leaders have said they believe there is a permanent market shift requiring greater efficiency in the delivery of legal services. But when asked about specific changes their firms are making to increase efficiency, the numbers don't reflect the same level of seriousness.

The top two tactics to increase efficiency in 2014, each undertaken by about 60% of all firms surveyed, were using technology tools to replace human resources, and knowledge management. Project management training was offered in 43% of firms.

Some firms employed basic labor arbitrage, trading higher priced human resources for lower priced resources. Forty-six percent of firms report shifting work to contract or temporary lawyers; and 41% of firms shifted work from lawyers to paraprofessionals.

Only 30% of law firms have taken on the really challenging task of re-engineering work processes.

Lawyer Staffing

When asked if growth in lawyer headcount was a requirement for continued success, just 49% of firm leaders said yes, down 6% from 2013.

Numbers for net change in 2013 lawyer headcount seem to support this finding for the most part. Median responses from all survey participants showed a 2% increase in non-equity partners, a 1% increase in partner-track associates, and no net change for equity partners, non-partner track associates and other full-time lawyers.

Firm leaders are most conflicted about their non-equity partnership tier. Despite the fact that this lawyer category led headcount growth in 2013, 46% of respondents said they believe they have too many non-equity partners. Additionally the survey

found that in 69% of firms, less than half of non-equity partners have a realistic chance of ever moving up to the equity tier.

Leading Change

Two-thirds of law firm leaders think the pace of change in the profession is still increasing. Another 30% believe it will remain at its current pace (which is not inconsiderable).

Leaders are relatively confident that their firms are prepared to keep up with the challenges of the new legal market, rating themselves at a median '7' on a 0 to 10 scale. However, only 13% are highly confident (9 or 10 on the scale).

An ongoing drag on firm leaders' ability to lead change is found in their partners who are often unaware of the ways in which the profession is changing or who simply don't want to do things differently. Leaders rate their partners overall awareness of and adaptability to change at a median of '6' on a 0 to 10 scale in both of these areas. Only 7% of firm leaders think their partners are highly aware (scoring them 9 or 10 on the rating scale), and 2% find their partners to be highly adaptable to change.

A comment from one survey participant encapsulates this challenge: *"Plans are being laid by leadership; however, it remains to be seen if they will be embraced by a substantial number of partners."*

Planning for the Future

Since the recession, when law firms were planning in six month or one year increments (if they were doing so at all), the planning outlook has stretched out again. Sixty-nine percent of firms now say they have a basic planning horizon of three to five years. When asked if they are systematically laying the groundwork for any long-term strategies that will not reach fruition for eight to ten years, 44% of firm leaders said yes, and 56% said no.

The final question of the survey asked law firm leaders which was the greater driver of decision-making in their firms in 2014: Long-term investment in new pricing and service delivery strategies to lock in their most valuable clients; or, Short-term profitability to lock in their most valuable partners. The overall response showed firm

leaders nearly split – 56% said long-term, client-focused investment was the greater driver, and 44% chose short-term profitability to hold on to key partners.

Larger firms were somewhat more likely to be driven by long-term considerations. Mega-firms – those with 1,000 or more lawyers – clearly broke from the pack on this question. Eighty-six percent of that group indicated that their decision making is long-term in nature and designed to lock in clients.

Larger firms' bias for longer-term, client-focused strategic change is most likely a pragmatic response to greater pressure they are feeling from large corporate clients that the 'BigLaw' category is more likely to serve. Those firms may also have leaders with more autonomy and authority to make some decisions without reference to the entire partnership, making those firms more able to implement change.

But smaller firms should take note. Regardless of the reasons, once one segment of the market starts moving toward a new more client-focused model and resetting market expectations, other firms will need to fall in step or they will inevitably fall behind.

FINDING OPPORTUNITIES IN THE CHANGING MARKET

We believe there are myriad opportunities to improve law firms' competitiveness both short and long-term. Leaders at all levels must immediately find ways to better educate their colleagues about changes in the marketplace so they can start transforming from within rather than having change imposed upon them from without.

Think long-term, act short-term

Most firms are not making current investments in a future they acknowledge will be different – and different in seemingly predictable ways.

Planning in law firms traditionally has been short-term and often more operational than strategic. But responding to the current market environment calls for a planning horizon focused on plausible realities eight to ten years out, as well as ongoing strategic thought rather than episodic planning. Today's plans must combine current

objectives alongside the groundwork for longer-term goals. Firms that can recognize and respond to clear signals in the marketplace and lay down appropriate foundational investments now will find more opportunities to prosper in the future.

Organize a Futures Committee

We encounter many law firm partners who are not aware of most of the trends that will affect their firms in the short-term and most assuredly in the long-term. This is a real shortcoming that keeps them from buying in to needed changes and makes them unwilling to adapt.

By establishing a Futures Committee dedicated to educating partners on key trends and related opportunities, a firm can begin to systematically address this issue. Findings of the committee should be widely communicated throughout the firm and used in roundtable discussions, retreat presentations, practice group planning and overall firm planning.

Confront commoditization

Commoditization of some practices is inevitable. Law firms have no choice but to embrace it and find ways to provide commoditized – and reasonably profitable – services alongside their knowledge and experience-based services.

Most lawyers will deny that what they are doing could ever become a commodity, but that does not change the reality. It's up to leadership to take a very candid look at each practice and consider its long-term prospects. With the right management, staffing and pricing model, any practice can become or remain profitable.

Bind clients to the firm

The only thing that cannot be commoditized is a very close and collaborative relationship with your clients. Embracing clients like never before should be common sense. Law firms need to lock clients in to closer relationships by demonstrating a thorough and ongoing understanding of the client's legal and business needs. Key client programs must become more than simply a guise to sell additional services. Secondments should be routinely offered as a way to strengthen the firm-client bond.

Align pricing with client preferences

The large and critically important topic of pricing must be part of every firm's strategy. The overarching goal is to align pricing methods, communications and metrics with clients' value proposition. Without doing so, too many firms will fall into the 'discounting trap' which can destroy margin and profitability over the long-term. It's tricky because clients are not all alike in what they want. Law firms have to assess pricing/value propositions for each client, their appetite for alternatives to hourly billing and their need for predictability, then customize their responses accordingly.

Rethink growth

Firms must stop thinking about growth primarily in terms of lawyer headcount. In the future, successful firms will grow profitability and improve margins without necessarily growing in size. Firms that continue to add headcount may experience enormous overhead cost problems. It's no longer about growing to get stronger, but rather changing to get stronger.

Align staffing with profitability

Until the profession decides to pay associates what they are really worth in the marketplace, young lawyers will continue to be too expensive and often misaligned with client value perceptions. Law firms need to stop assuming that they need a new associate whenever work volume is pressing. If a practice group or office asks for a new associate, it should be able to rigorously justify the expense. Begin to consider different kinds of lawyers (e.g., part-time, contract, etc.) who can fill the same needs much less expensively.

Actively manage your non-equity tier

Leadership is beginning to recognize the inherent, long-term challenge created by this rapidly expanding group. Although there are certainly valid reasons to have non-equity partners, too many are blockers or '9 to 5-ers.' Law firms need to manage the non-equity tier with much more attention and discipline, including standards for entry and exit. If nothing else, stop digging the hole deeper!

Think strategically about overhead

Because automatic price and rate increases are a thing of the past, firms no longer have that cushion to absorb regular overhead increases. Attention to controlling long-term costs has become a critical strategic issue for law firms.

In recent years, many if not most firms have reduced overhead by cutting staff. We believe that firms probably haven't gone far enough. To achieve meaningful long-term overhead reductions, firms should plan to reduce support staff by one half over the next five years. A ten-year goal might be to have no more than two support staff members for each ten lawyers.

Similarly firms should not sign long-term leases in which per-lawyer space exceeds 500 square feet. To do so simply locks in long-term costs that firms cannot afford. Going paperless is another critical way to control overhead. In a 2011 Altman Weil survey, we found only 24% of firms systematically converted incoming paper documents to electronic format.

Invest in Legal Project Management

Perhaps no other long-term initiative will do more to support staffing innovation, pricing innovation, efficient delivery of services, improvements in margin and reductions in overhead than true project management training. It's important to distinguish between a one or two day seminar which will not produce much long-term value, and a systematic, hands-on approach that instills fundamental operational change. Firms that give their people the right kind of tools and training in this area will create new efficiencies for clients, improve profitability of matters, and create significant competitive advantage.

Invest in Knowledge Management

Most lawyers don't understand what a robust knowledge management system is. Capturing, organizing and making knowledge easily available throughout the firm facilitates service delivery efficiency, professional development, work quality, cross-selling and profitability. Establish a task force with a clear mandate to articulate the law firm's strategy for a best-in-class knowledge management program. Start with small initiatives that will help achieve the overall strategy. Be sure to make a sufficient investment.

Encourage innovation

It's a risky proposition to assume that your firm will be able to adapt to transition reactively, without ever being overtaken by market pressures or outpaced by more forward-looking competitors.

A wiser course is to undertake innovation affirmatively in all elements of the business model including pricing, efficiency and value. The best way to start is by encouraging practice groups to incorporate innovations, such as more efficient service delivery, into their annual planning. A practice group with members who are open to experimentation, and who have the support of leadership, can act as an incubator for change. Start small, take risks, learn some lessons, and export your successes back out to the firm as a whole. But start now.

Develop a firm of leaders

Robust leadership development programs are rare in law firms. All of the initiatives set forth above require strong leadership. In the absence of training, good leaders may emerge episodically, but there are no guarantees that you'll have the right team of resources when you need them most. Managing partners and practice group leaders cannot do it all. The firm's success will depend upon building a 'firm of leaders.' Pick high-potential individuals, invest in real, long-term training programs and provide the requisite support. Excellence in leadership can be the ultimate competitive advantage.

SURVEY METHODOLOGY

Conducted in March and April 2014, the *Law Firms in Transition Survey* polled Managing Partners and Chairs at 803 US law firms with 50 or more lawyers. Completed surveys were received from 304 firms (38%), including 42% of the 350 largest US law firms.

The full survey is available online to download at: www.altmanweil.com/LFiT2014. Special reports based on law firm size ranges are available exclusively to survey participants.

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Altman Weil, Inc.



ABOUT THE AUTHORS

Thomas S. Clay is a principal of Altman Weil, Inc. With over 30 years of experience consulting to the legal profession, he is an acknowledged expert on law firm management principles and is a trusted advisor to law firms throughout the United States. Mr. Clay heads complex consulting assignments in strategic planning, law firm management and organization and law firm mergers and acquisitions. He is a thought-leader on the key issue of law firm practice group strategy and leadership.

He is Fellow of the College of Law Practice Management (COLPM) and has served as a Judge for the College's InnovAction Awards which recognize outstanding innovation in the delivery of legal services worldwide. He is a member of the COLPM Futures Committee. Mr. Clay has been named one of the "100 Legal Consultants You Need to Know."

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Prior to joining Altman Weil, Mr. Seeger held positions as Chief Operating Officer of a regional law firm and Strategic Planning Officer at an AmLaw 200 law firm. He has worked as an independent consultant to law firms and corporate executives, performed market analysis for a global manufacturer, and served in budgeting and planning capacities for a major university.

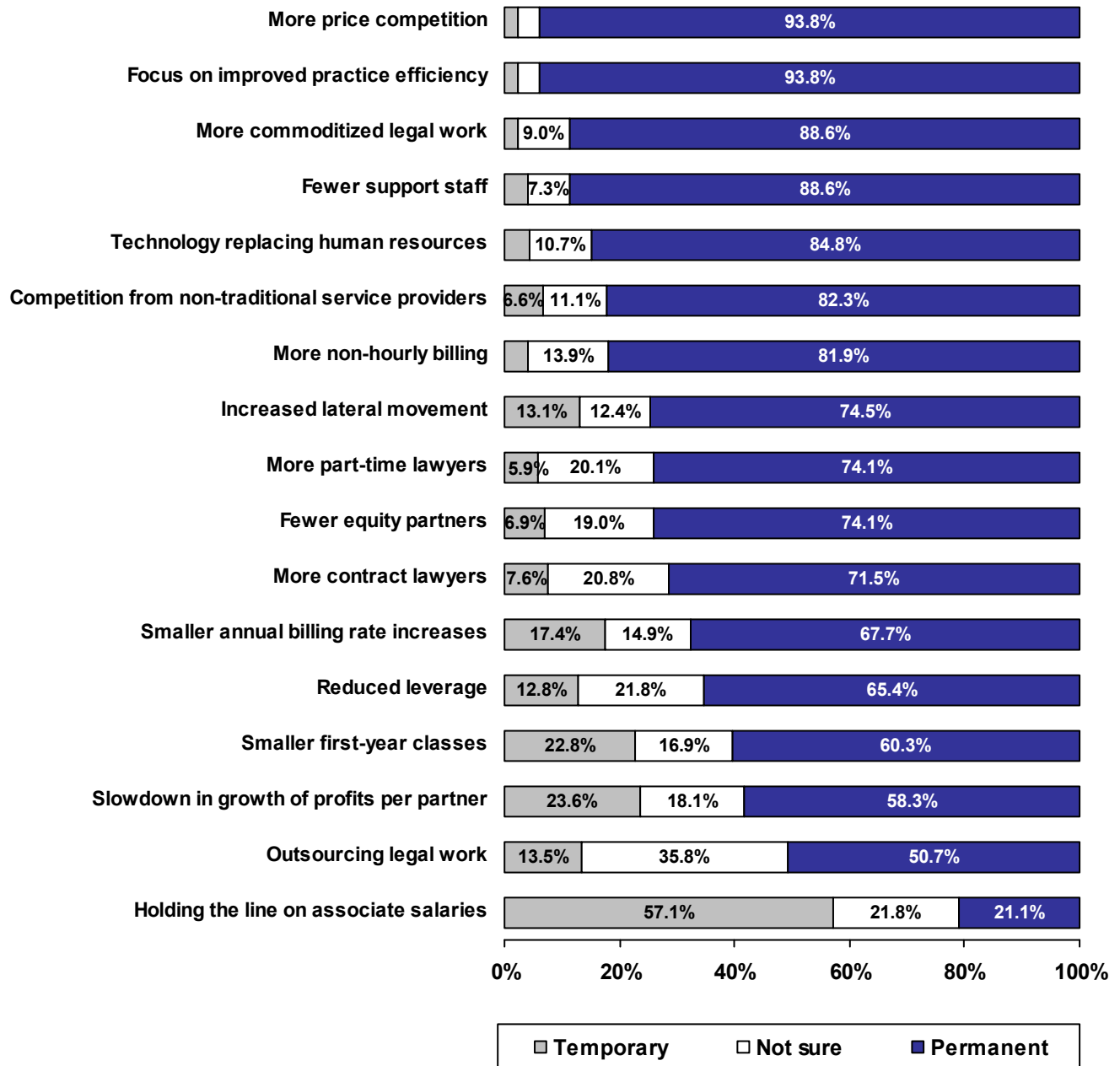
About Altman Weil, Inc.

Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing, administration and government. More information on Altman Weil can be found at www.altmanweil.com.

Transition & Change
LAW FIRMS IN TRANSITION 2014

Law Firms in Transition: 2014 Trends

Q: Which of the following legal market trends do you think are temporary and which will be permanent?



Law Firms in Transition: From 2009 to 2014

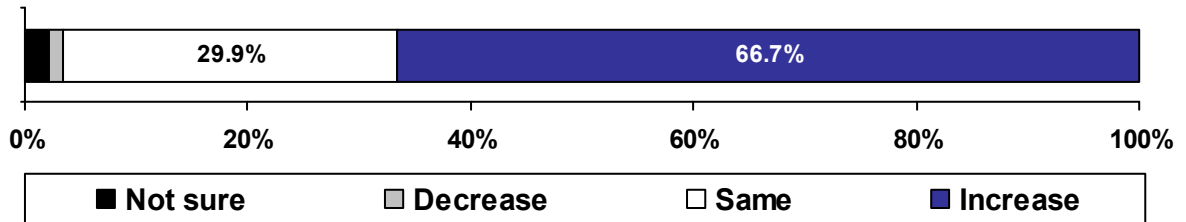
In May 2009, we launched the first *Law Firms in Transition Survey* to measure the impact of the financial crisis and emerging recession on the legal profession. That year, and in each subsequent year, we have asked law firm leaders to assess each of a series of trends as either temporary or permanent. The following table illustrates how opinions have changed.

The ten trends listed below are those that have been asked in the survey each year since 2009.

'Yes' - Permanent Change	2009 Response	2014 Response	Change in %	Magnitude Increase
More price competition	42.4%	93.8%	+51.4	2.2x
More commoditized legal work	25.5%	88.6%	+63.1	3.5x
More non-hourly billing	27.9%	81.9%	+54.0	2.9x
Fewer equity partners	22.8%	74.1%	+51.3	3.3x
More contract lawyers	28.3%	71.5%	+43.2	2.5x
Reduced leverage	12.1%	65.4%	+53.3	5.4x
Smaller first year classes	11.4%	60.3%	+48.9	5.3x
Lower PPP/Slowdown in PPP	13.2%	58.3%	+45.1	4.4x
Outsourcing legal work	11.5%	50.7%	+39.2	4.4x
Lower / Hold line on associate comp	9.5%	21.1%	+11.6	2.2x

Law Firms in Transition: The Pace of Change

Q: Going forward, do you think the pace of change in the profession will:

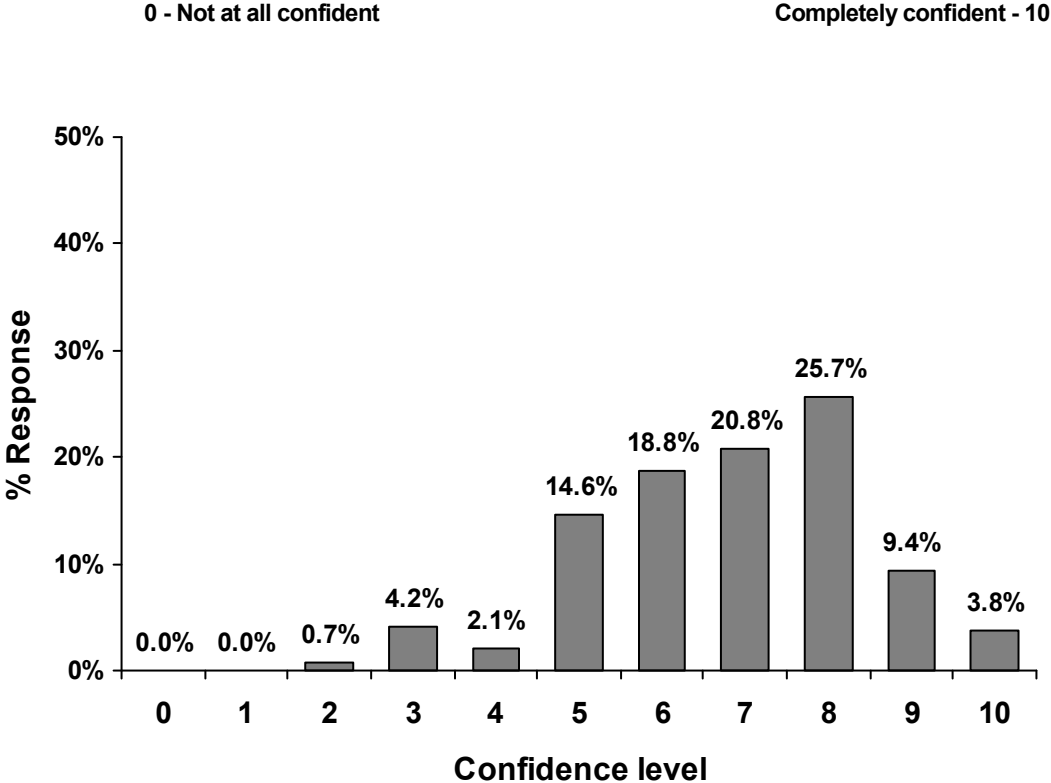


Comparison by firm size:

	NOT SURE	DECREASE	SAME	INCREASE
Under 250 lawyers	1.9%	1.4%	32.4%	64.3%
250 lawyers or more	2.6%	1.3%	23.1%	73.1%

Law Firms in Transition: Confidence

Q: What is your overall level of confidence that your firm is fully prepared to keep pace with the challenges of the new legal marketplace?

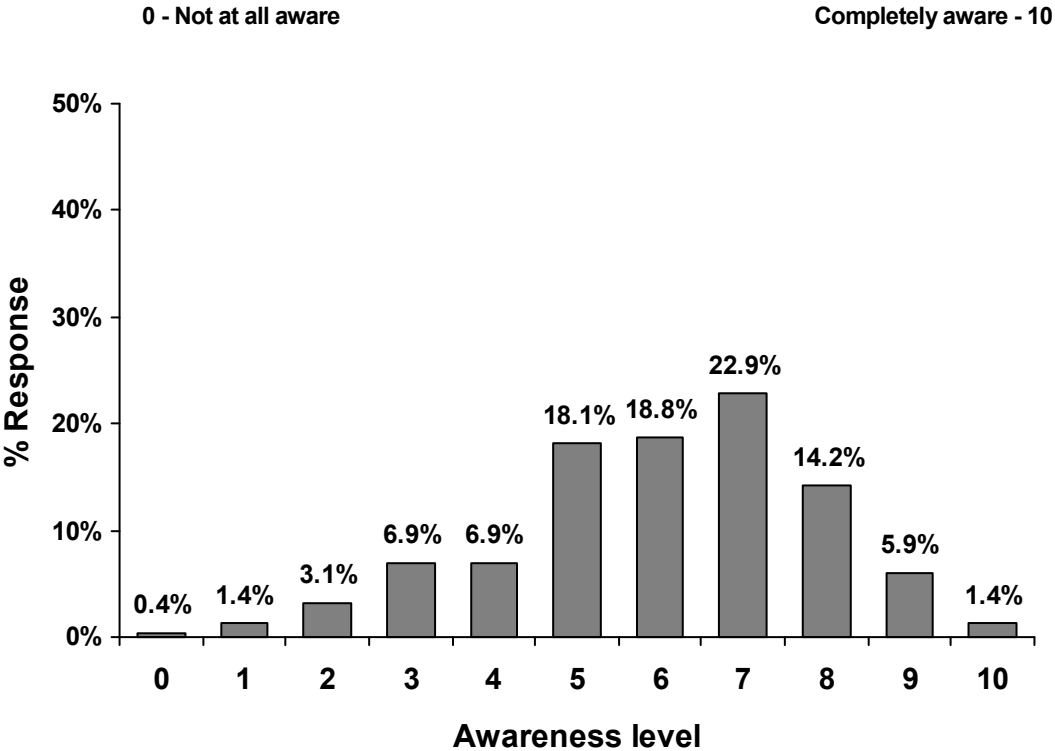


CONFIDENCE	LOW					MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9
RESPONSE	21.6%					65.3%			13.2%	

Median rating: 7

Law Firms in Transition: Awareness

Q: How would you rate your partners' awareness of the challenges of the new legal market?

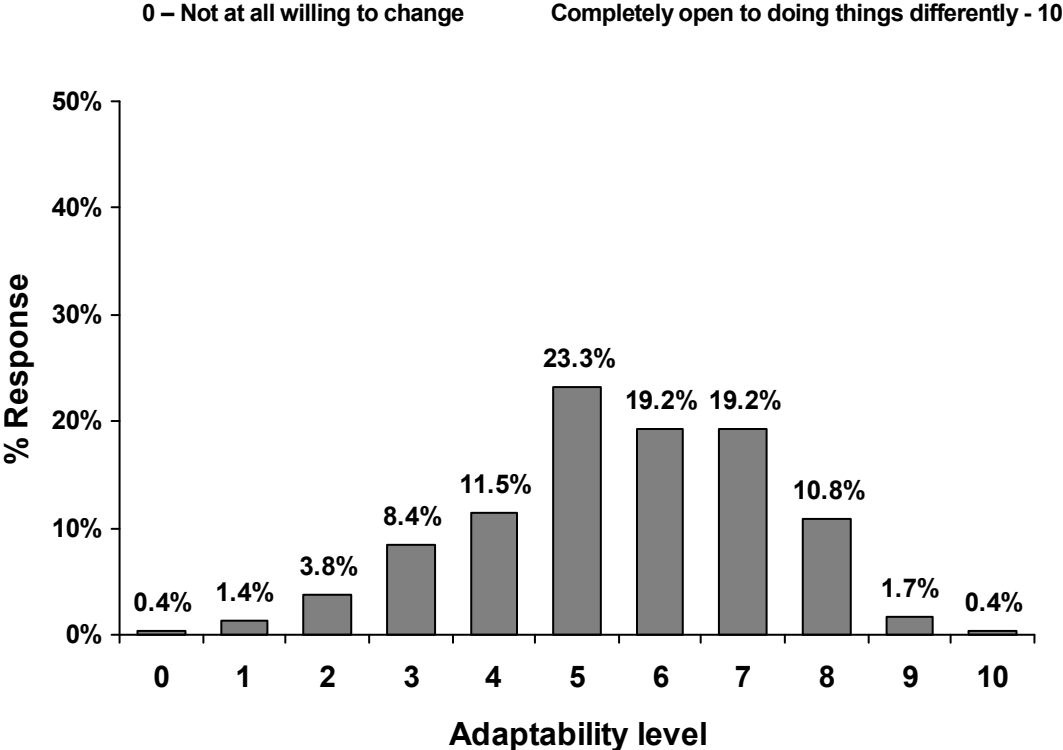


AWARENESS	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	36.8%					55.9%			7.3%		

Median rating: 6

Law Firms in Transition: Adaptability

Q: Most agree that competing in the new legal market will require some changes in how law firms are organized and how lawyers practice. How would you rate your partners' level of adaptability to change?



ADAPTABILITY	LOW					MODERATE			HIGH		
	0	1	2	3	4	5	6	7	8	9	10
RATING											
RESPONSE	48.8%					49.2%			2.1%		

Median rating: 6

Law Firms in Transition: Change Preparedness

Comparison of firm leader confidence by year:

	LOW	MODERATE	HIGH
2014	21.6%	65.3%	13.2%
2013	21.0%	66.0%	12.9%
2012	11.3%	74.3%	14.2%
2011	7.8%	68.3%	23.9%

Firm leader confidence declined after 2011 and has not rebounded.

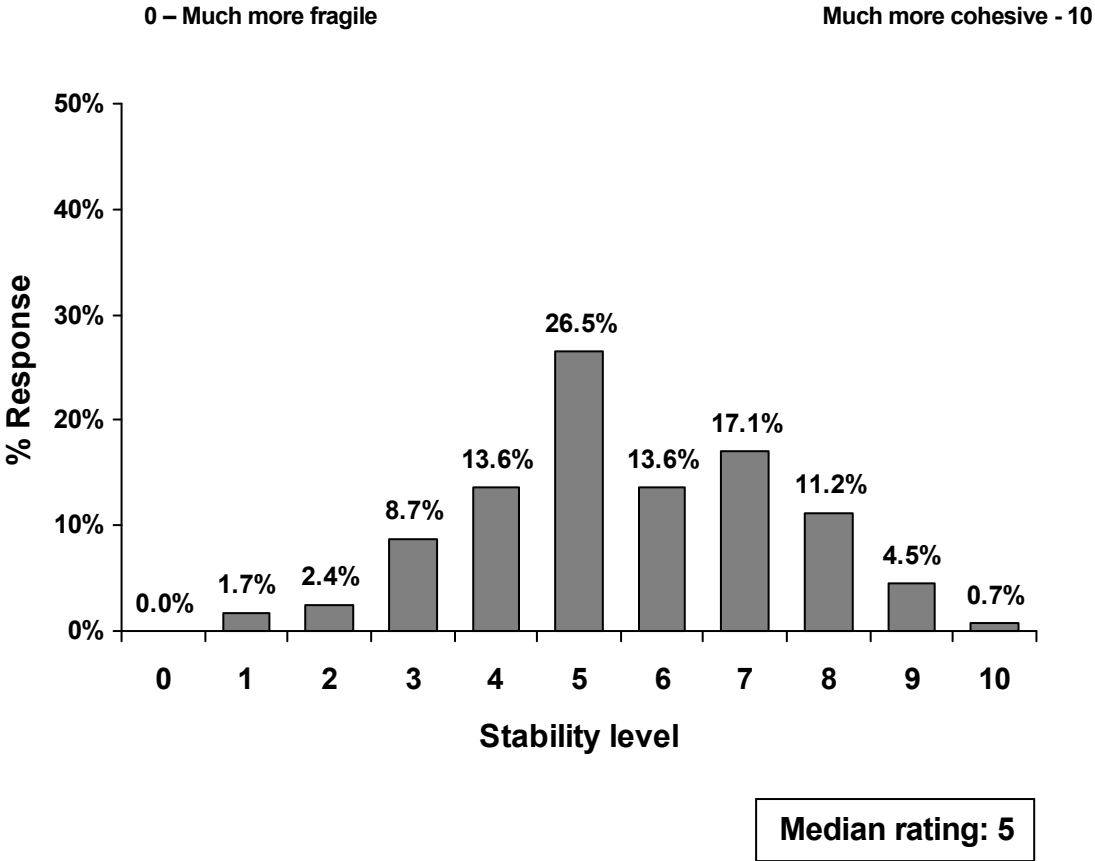
Comparison of 2014 change preparedness factors in the legal profession:

	LOW	MODERATE	HIGH
Confidence of firm leader	21.6%	65.3%	13.2%
Awareness of partners	36.8%	55.9%	7.3%
Adaptability of partners	48.8%	49.1%	2.1%

Law firm leaders understand new competitive and operational pressures, but often have partners who do not. Increasing partner awareness is a fundamental precursor to achieve buy-in on strategic innovations that leaders will want to implement.

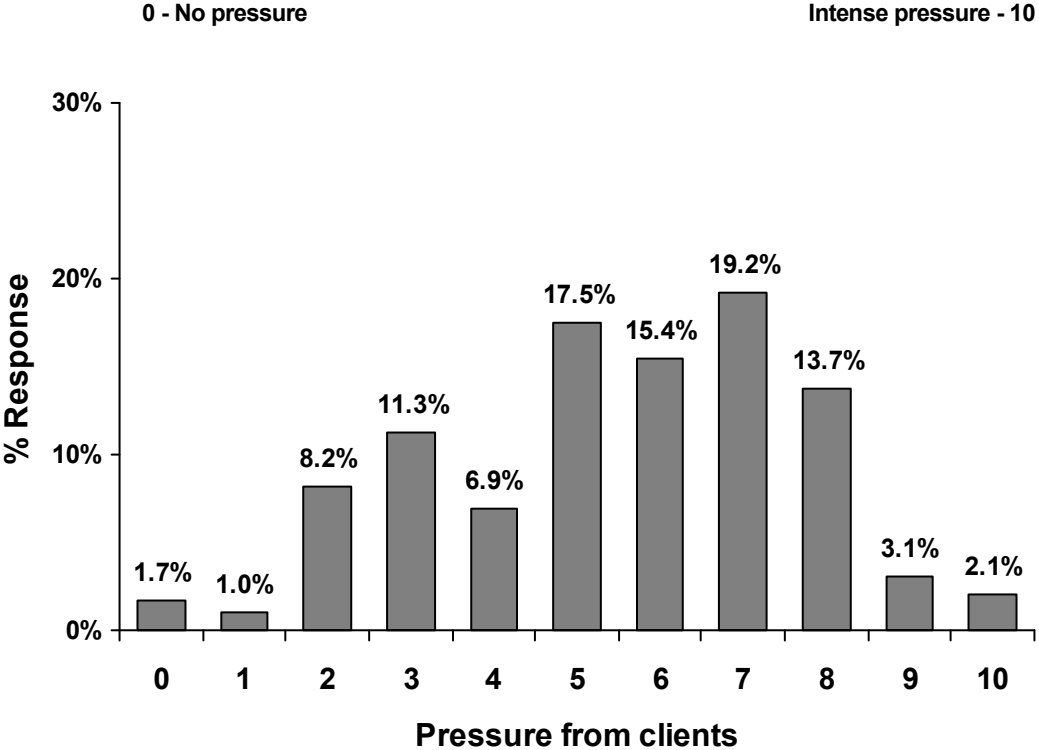
Law Firms in Transition: Effects of Change

Q: Have the challenges of the changing legal market made your partnership more cohesive or more fragile overall?



Law Firms in Transition: Client Pressure

Q: In your opinion, in 2014 how much pressure are corporations really putting on law firms to change the value proposition in legal service delivery (as opposed to simply cutting costs)?

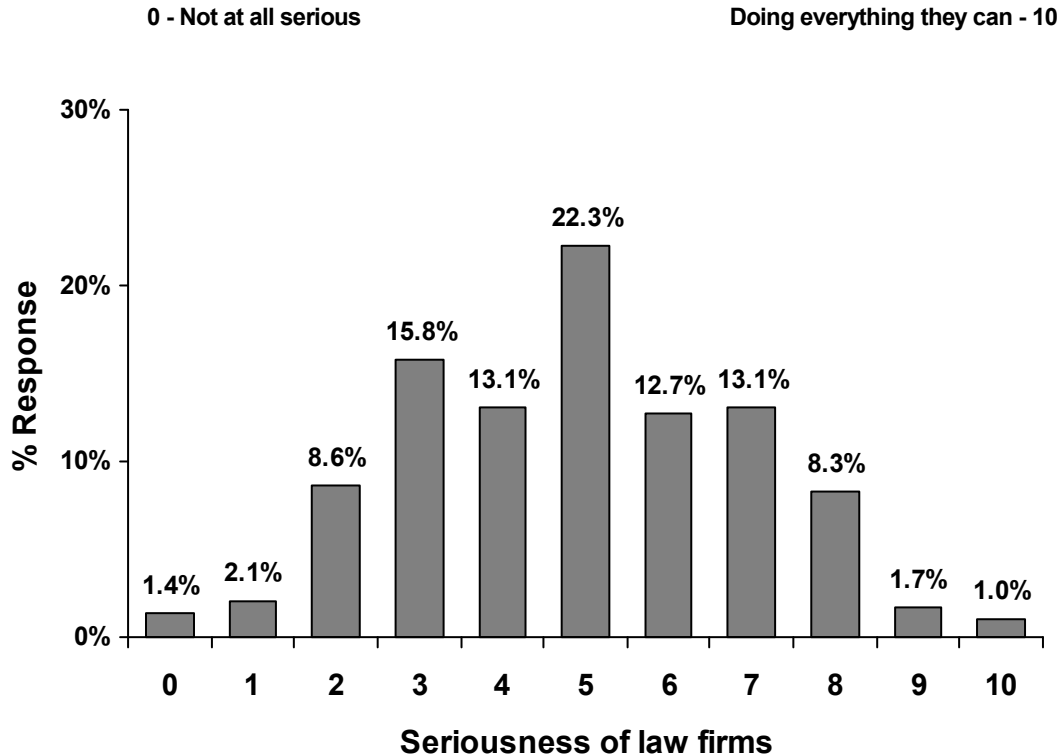


PRESSURE	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	46.6%					48.3%			5.2%		

Median	Average
6	5.5

Law Firms in Transition: Seriousness of Change Efforts

Q: In your opinion, in 2014 how serious are law firms about changing their legal service delivery model to provide greater value to clients (as opposed to simply reducing rates)?



SERIOUSNESS	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	63.3%					34.1%			2.7%		

Median	Average
5	4.9

Law Firms in Transition: Changing the Value Proposition

Average responses by year from the last three editions of *Law Firms in Transition Survey* and *Chief Legal Officer Survey*.

How much pressure are corporations putting on law firms (on a scale of 0 to 10):

	2012	2013	2014
Law firm perspective	5.6	5.5	5.5
Client perspective	5.4	5.5	5.4

Law firms and clients agree that the level of pressure from clients is only moderate.

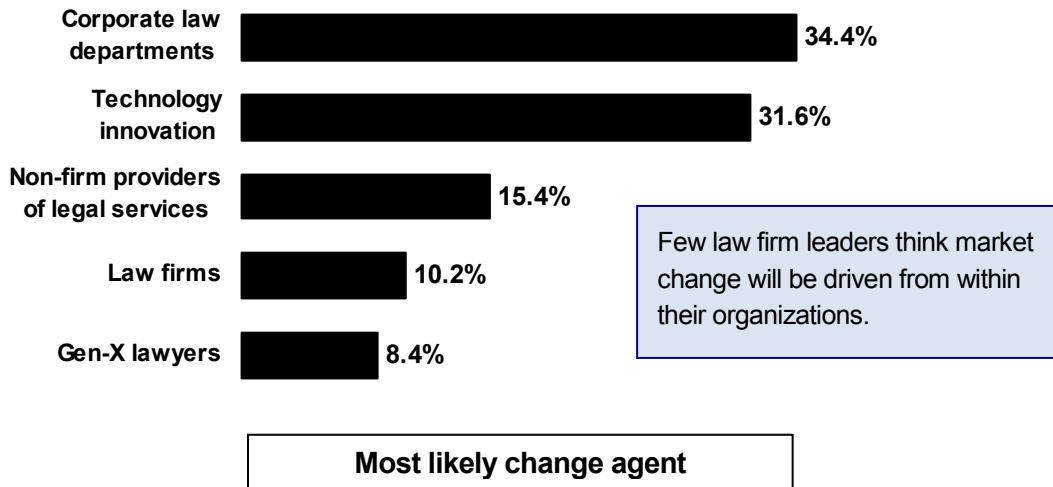
How serious are law firms about changing (on a scale of 0 to 10):

	2012	2013	2014
Law firm perspective	5.2	5.0	4.9
Client perspective	3.7	3.8	3.6

Clearly clients do not think law firms are serious about changing their service delivery model to provide greater value.

Law Firms in Transition: Change Agents

Q: In your opinion, which of the following is the most likely change agent in the legal market over the next ten years?



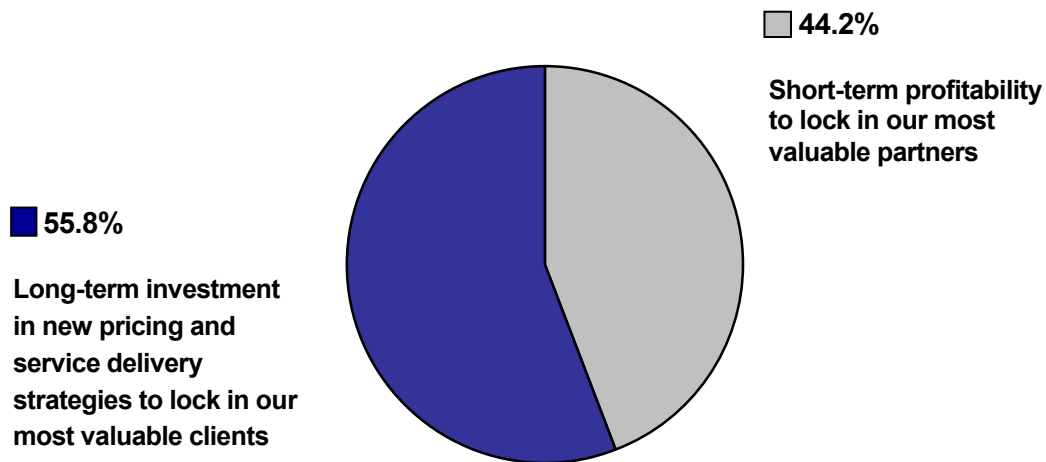
Comparison by firm size:

Those who believe corporate law departments will be the most likely change agent

	CLIENTS WILL LEAD CHANGE
All firms	34.4%
50-99 lawyers	21.0%
100-249 lawyers	41.8%
250-499 lawyers	37.8%
500-999 lawyers	43.8%
1,000+ lawyers	62.5%

Law Firms in Transition: Decision Drivers

Q: Which of the following is the greater driver of decision making in your law firm in 2014?



Comparison by firm size:

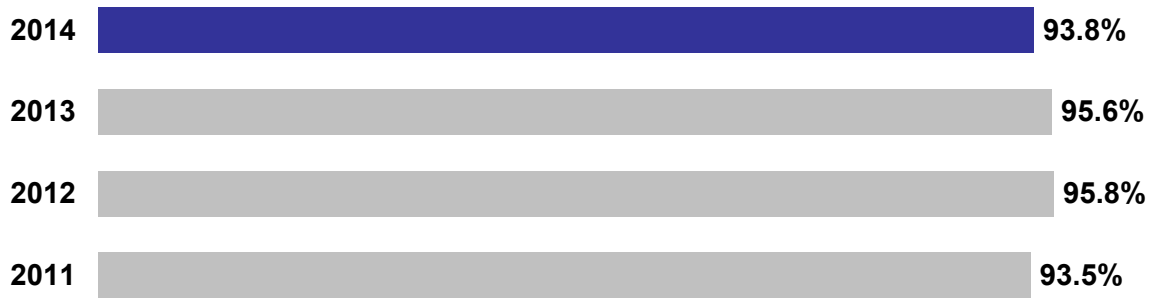
	Long-term / for clients	Short-term / for partners
50-99 lawyers	50.0%	50.0%
100-249 lawyers	57.0%	43.0%
250-499 lawyers	60.0%	40.0%
500-999 lawyers	59.4%	40.6%
1,000+ lawyers	85.7%	14.3%

Efficiency of Legal Service Delivery

LAW FIRMS IN TRANSITION 2014

Efficiency of Legal Service Delivery: Permanent Change

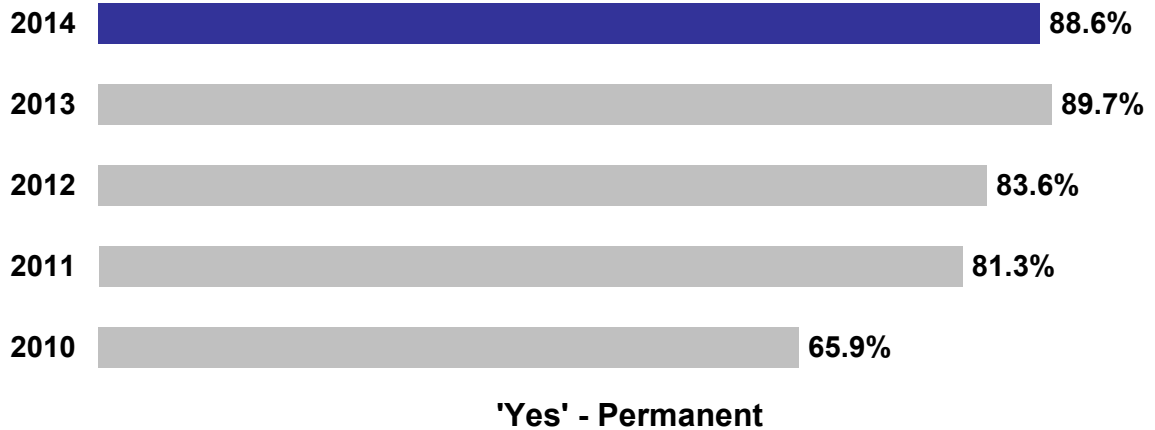
Q: Do you think focus on improved practice efficiency will be a permanent trend going forward?



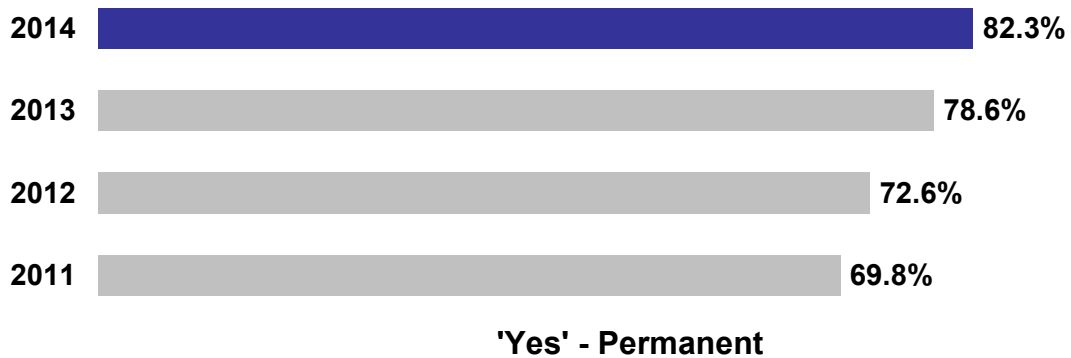
'Yes' - Permanent

Efficiency of Legal Service Delivery: Trends

Q: Do you think more commoditized legal work will be a permanent trend going forward?

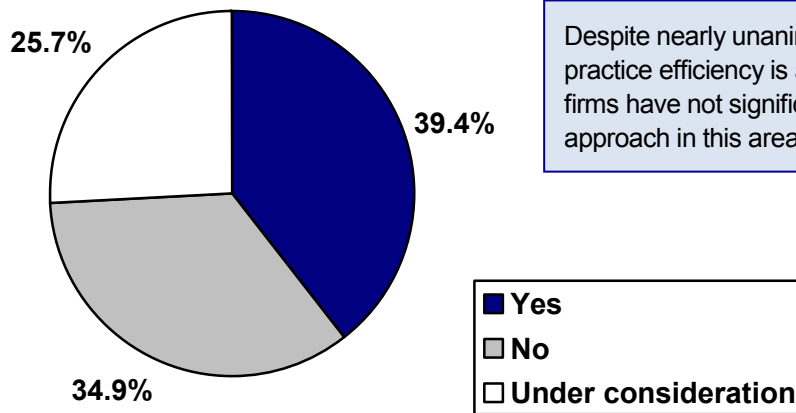


Q: Do you think competition from non-traditional (including non-lawyer) service providers will be a permanent trend going forward?



Efficiency of Legal Service Delivery: Strategic Approach

Q: Many law firms feel pressure to change elements of their business model to stay competitive in the post-recession economy. Has your firm significantly changed its strategic approach to efficiency of legal service delivery?



Despite nearly unanimous belief that a focus on practice efficiency is a permanent trend, 61% of firms have not significantly changed their strategic approach in this area.

Comparison by firm size:

	Yes	No	Under consideration
Under 250 lawyers	34.1%	41.1%	24.8%
250 lawyers or more	53.8%	17.9%	28.2%

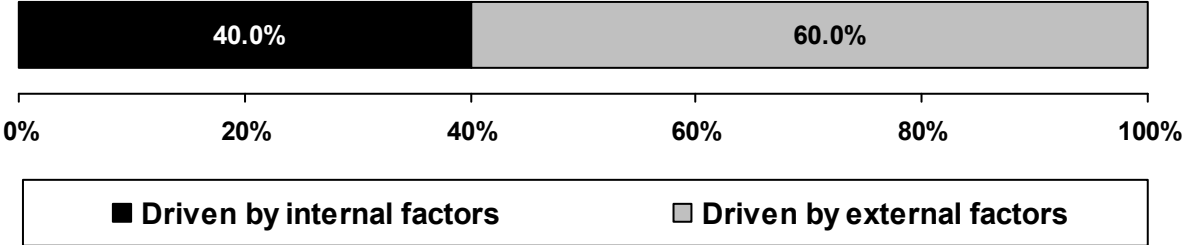
Comparison by year:

	Yes	No	Under consideration
2014	39.4%	34.9%	25.7%
2013	44.6%	33.0%	22.3%

Efficiency Drivers

Q: Are your efforts to change efficiency of legal service delivery driven primarily by:

- Internal factors (e.g., improved profitability)
- External factors (e.g., client or market pressure)

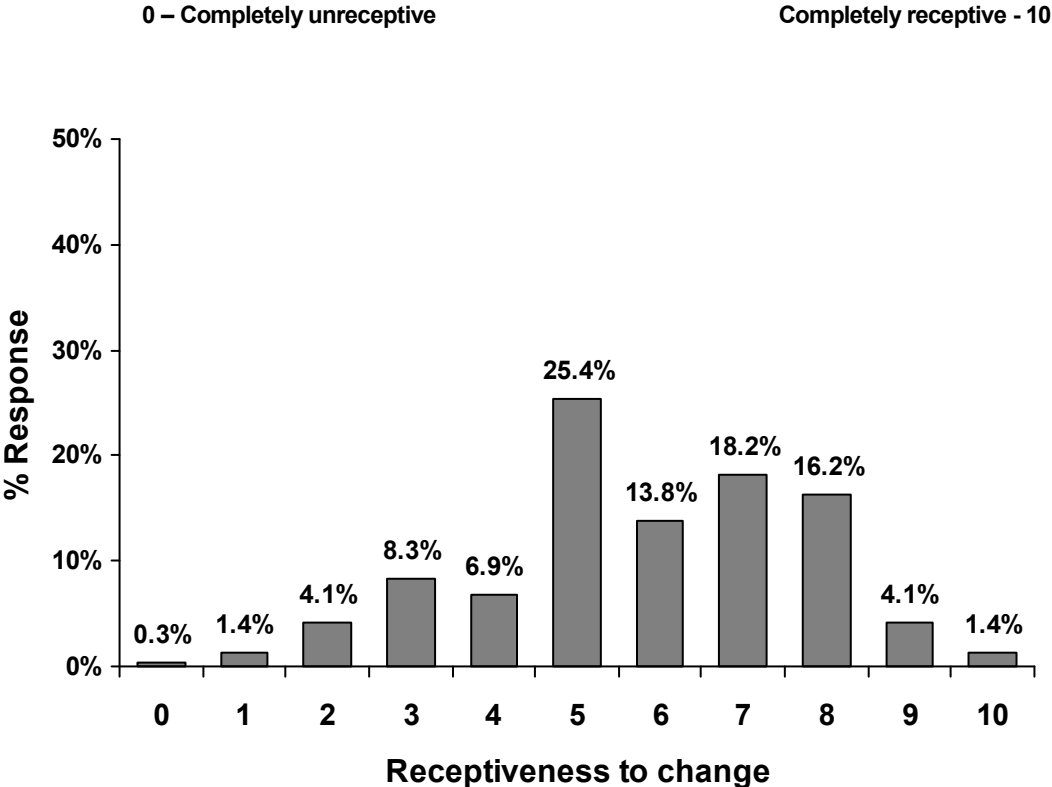


Comparison by firm size:

	Internal	External
Under 250 lawyers	43.1%	56.9%
250 lawyers or more	32.9%	67.1%

Efficiency: Partners' Receptiveness to Change

Q: Please assess your partners' receptiveness to changing efficiency of legal service delivery:



RECEPTIVENESS	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	46.4%					48.2%			5.5%		

Median rating: 6

Efforts to Increase Efficiency

Q: Is your firm doing any of the following to increase efficiency of legal service delivery?



Comparison by firm size:

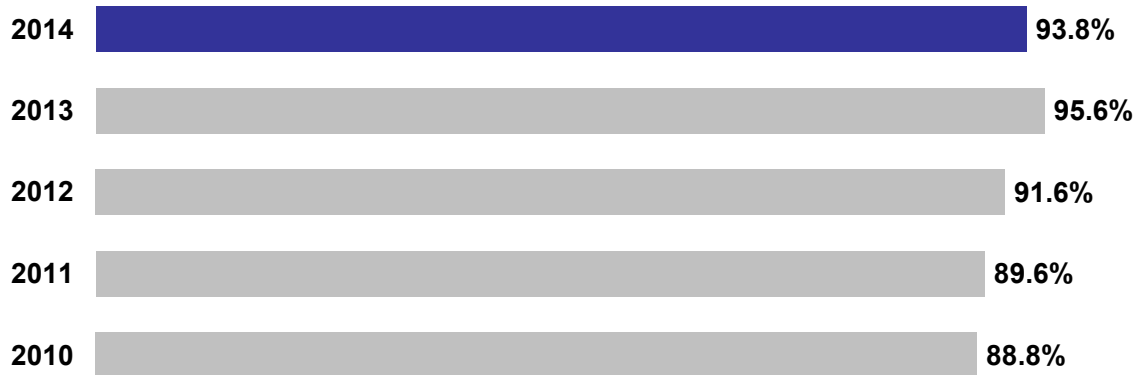
	Under 250 lawyers	250 lawyers or more
Using technology tools to replace human resources	61.6%	59.7%
Knowledge management	53.6%	77.9%
Shifting work to contract/temporary lawyers	38.4%	67.5%
Project management training	32.2%	72.7%
Shifting work from lawyers to paraprofessionals	38.4%	49.4%
Reengineering work processes	27.0%	37.7%
Using non-law-firm vendors	19.0%	26.0%
None of the above	6.6%	0.0%

Pricing Strategies

LAW FIRMS IN TRANSITION 2014

More Price Competition: Permanent Change

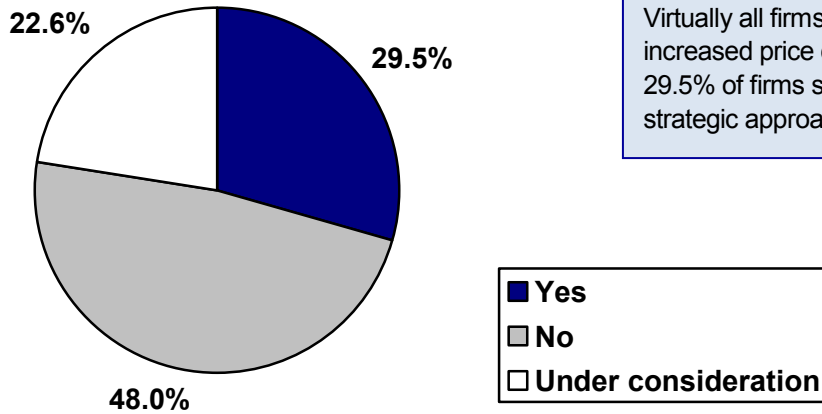
Q: Do you think more price competition will be a permanent trend going forward?



'Yes' - Permanent

Pricing: Strategic Approach

Q: Many law firms feel pressure to change elements of their business model to stay competitive in the post-recession economy. Has your firm significantly changed its strategic approach to pricing strategy?



Virtually all firms are experiencing increased price competition, but only 29.5% of firms surveyed are changing their strategic approach to pricing.

Comparison by firm size:

	Yes	No	Under consideration
Under 250 lawyers	22.4%	56.1%	21.5%
250 lawyers or more	48.7%	25.6%	25.6%

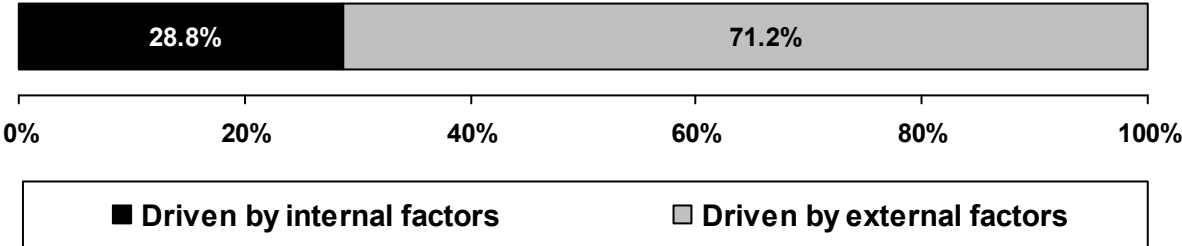
Comparison by year:

	Yes	No	Under consideration
2014	29.5%	48.0%	22.6%
2013	29.0%	53.6%	17.4%

Pricing Drivers

Q: Are your efforts to change pricing strategy driven primarily by:

- Internal factors (e.g., improved profitability)
- External factors (e.g., client or market pressure)

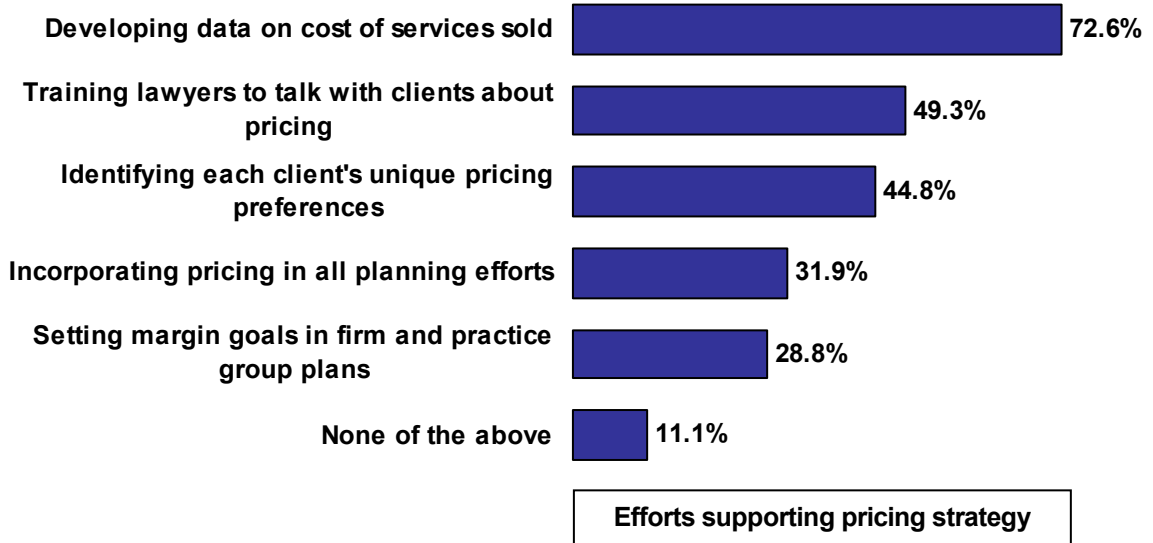


Comparison by firm size:

	Internal	External
Under 250 lawyers	31.8%	68.2%
250 lawyers or more	21.9%	78.1%

Efforts to Support Pricing Strategy

Q: Is your firm doing any of the following to support its pricing strategy?



Comparison by firm size:

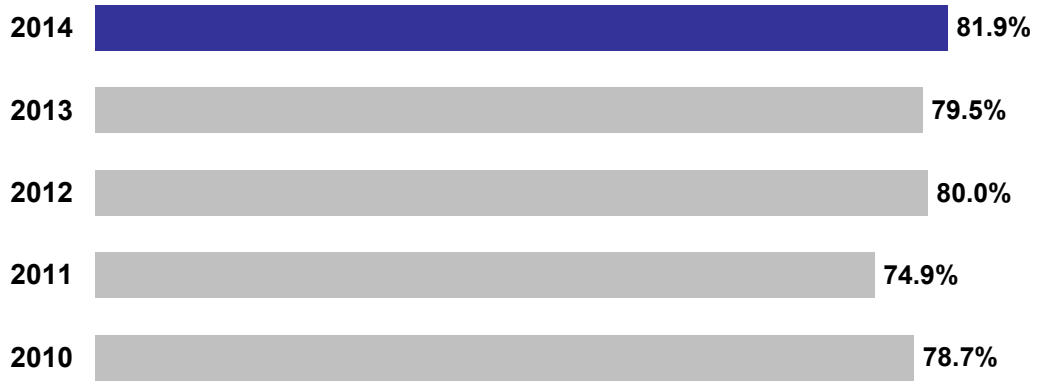
	Under 250 lawyers	250 lawyers or more
Developing data on cost of services sold	67.3%	87.0%
Training lawyers to talk with clients about pricing	41.7%	70.1%
Identifying each client's unique pricing preferences	42.2%	51.9%
Incorporating pricing in all planning efforts	26.1%	48.1%
Setting margin goals in firm and practice group plans	25.1%	39.0%
None of the above	13.7%	3.9%

Alternative Fee Arrangements

LAW FIRMS IN TRANSITION 2014

Alternative Fees: Permanent Change

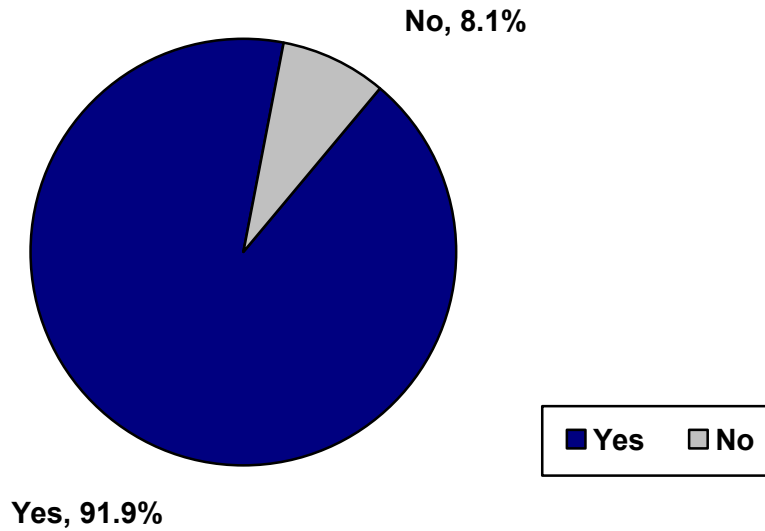
Q: Do you think more non-hourly billing will be a permanent trend going forward?



'Yes' - Permanent

Alternative Fees: 2014 Usage

Q: Does your firm use any non-hourly based billing?

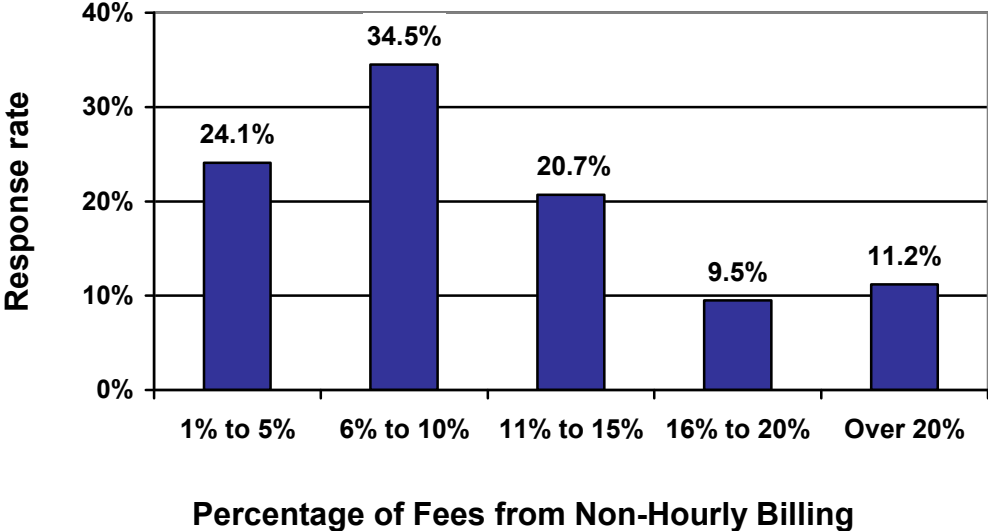


Comparison by firm size:

	YES	NO
50-99 lawyers	86.4%	13.6%
100-249 lawyers	94.4%	5.6%
250-499 lawyers	94.4%	5.6%
500-999 lawyers	97.1%	2.9%
1,000+ lawyers	100.0%	0.0%

Alternative Fees: As Percentage of All Fees

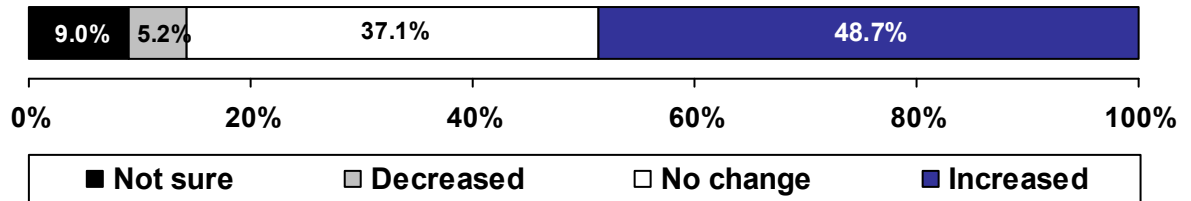
Q: Approximately what percentage of your firm's total fees in 2013 were generated by non-hourly based billing?



Median: 10%

Alternative Fees: Change in Usage

Q: In 2013, did your firm increase its amount of non-hourly based billing (measured by percentage of revenue)?



2013 Change in Non-Hourly Billing

Comparison by firm size:

Increased use of non-hourly based billing in 2013

	INCREASED
50-99 lawyers	38.5%
100-249 lawyers	47.5%
250-499 lawyers	48.6%
500-999 lawyers	69.7%
1,000+ lawyers	88.9%

Alternative Fees: Usage Trends

Comparison by year:

Use of alternative fee arrangements

	YES	NO
2014	91.9%	8.1%
2013	96.2%	3.8%
2012	94.1%	5.9%
2011	95.0%	5.0%
2010	94.5%	5.5%

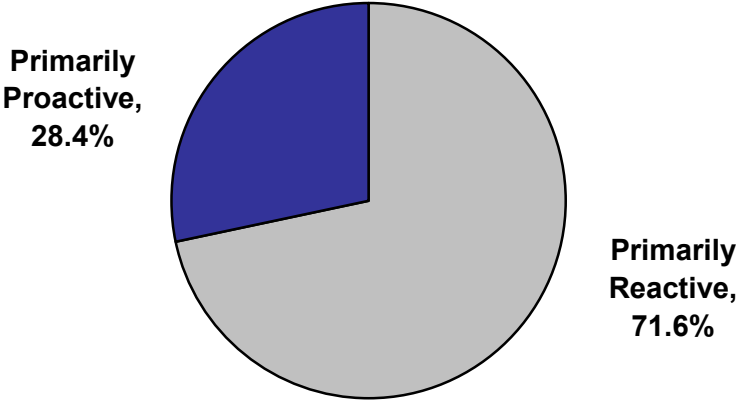
Comparison by year:

Change in the amount of non-hourly billing in the prior year (measured as a percentage of revenue)

	NOT SURE	DECREASE	NO CHANGE	INCREASE
2014	9.0%	5.2%	37.1%	48.7%
2013	5.5%	2.7%	45.2%	46.6%
2012	5.7%	1.4%	45.5%	47.4%
2011	10.4%	1.8%	29.9%	57.9%

Alternative Fees: Strategic Approach

Q: If your firm uses any non-hourly based billing, is your use of alternative fee arrangements primarily reactive (in response to client requests) or primarily proactive (arising from your belief in the competitive advantage of alternative fees)?



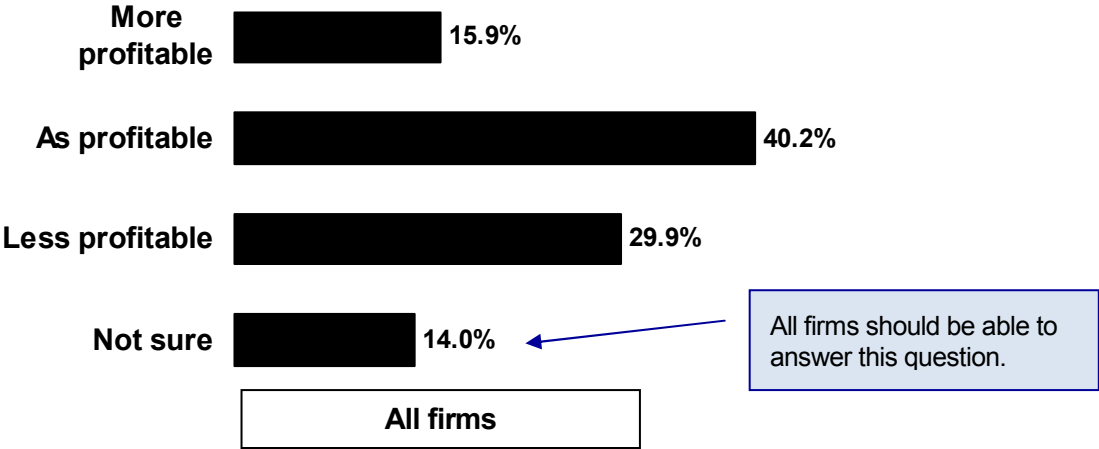
Comparison by year:

	PROACTIVE	REACTIVE
2014	28.4%	71.6%
2013	31.5%	68.5%
2012	33.2%	66.8%
2011	32.2%	67.7%
2010	41.3%	58.7%

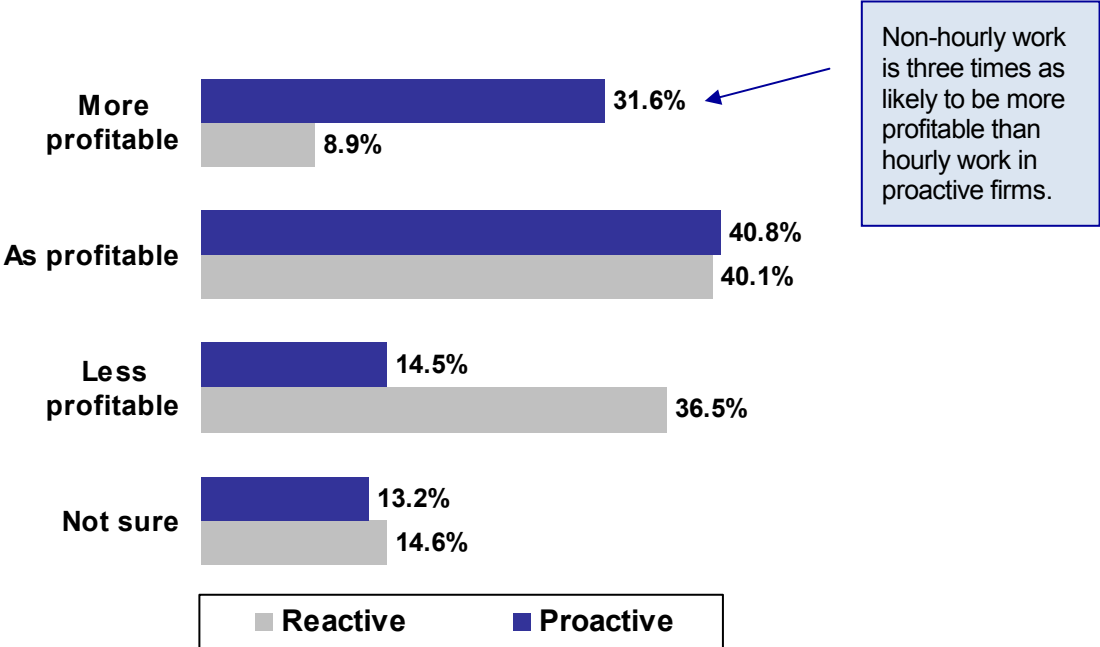
The number of firms that are proactive in their use of AFAs has declined by almost one third since 2010.

Alternative Fees: Profitability vs. Hourly Fees

Q: Overall, compared to projects billed at an hourly rate, are your firm’s non-hourly projects more profitable or less profitable?



A comparison of the reported profitability of alternative fee arrangements in those firms that report they are proactive in their use of non-hourly billing versus those that are reactive.



Alternative Fees: Profitability Trends

Comparison by year:

Profitability of non-hourly vs. hourly projects

	Not sure	Less profitable	As profitable	More profitable
2014	14.0%	29.9%	40.2%	15.9%
2013	14.2%	30.1%	39.7%	16.0%
2012	17.4%	28.5%	40.1%	14.0%
2011	19.8%	32.0%	36.5%	11.7%
2010	26.3%	23.9%	38.5%	11.2%

Overall, since 2010, firms have made little progress on making non-hourly projects more profitable than those billed at an hourly rate.

Comparison by year:

Profitability of non-hourly vs. hourly projects in proactive firms

	Not sure	Less profitable	As profitable	More profitable
2014	13.2%	14.5%	40.8%	31.6%
2013	7.4%	13.2%	55.9%	23.5%
2012	8.7%	15.9%	49.3%	26.1%
2011	16.9%	12.7%	50.7%	19.7%
2010	23.3%	14.0%	45.3%	17.4%

The likelihood that non-hourly projects will be more profitable than hourly projects in firms that are proactive in their use of AFAs has nearly doubled since 2010.

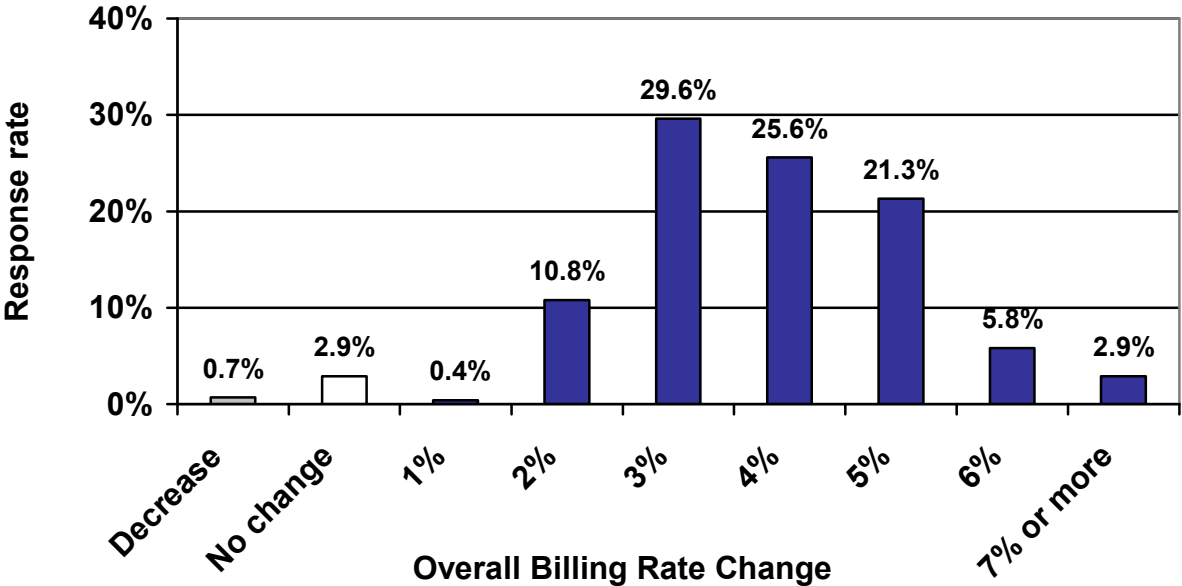
Billing Rates

LAW FIRMS IN TRANSITION 2014

Pricing: 2014 Billing Rates

Q: What is your firm’s actual or estimated change in standard hourly billing rates for 2014 compared to 2013?

CHANGE IN BILLING RATES – OVERALL CHANGE



Median change: +4%

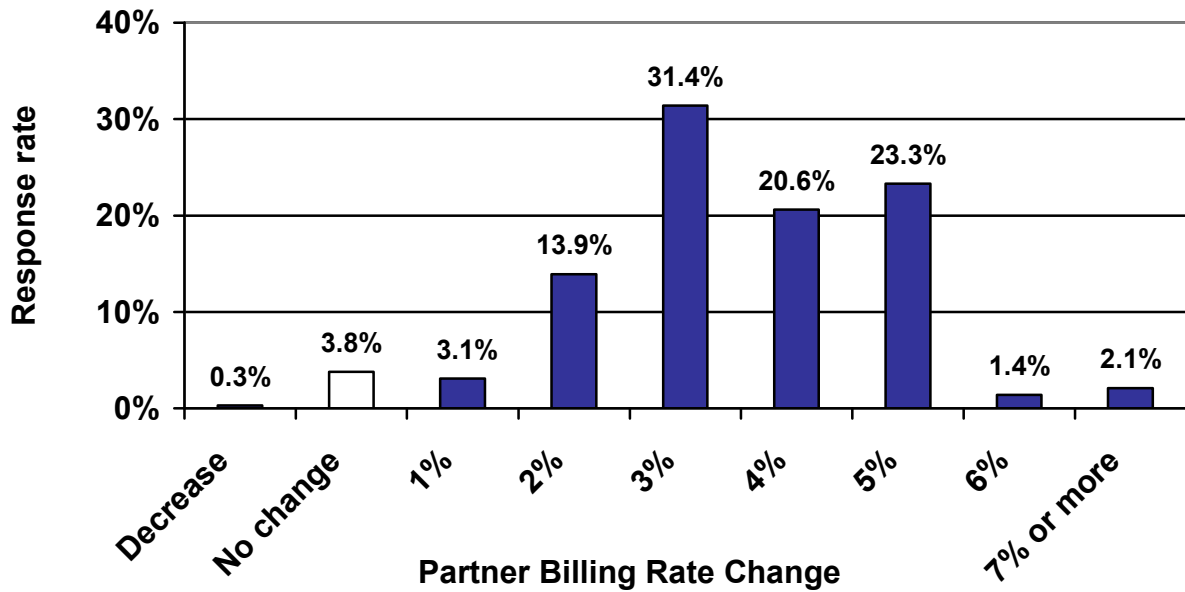
Comparison by year:

	MEDIAN CHANGE
2014	+4%
2013	+3%
2012	+4%
2011	+4%
2010	+3%

Pricing: 2014 Partner Billing Rates

Q: What is your firm's actual or estimated change in standard hourly billing rates for 2014 compared to 2013?

CHANGE IN BILLING RATES – PARTNERS

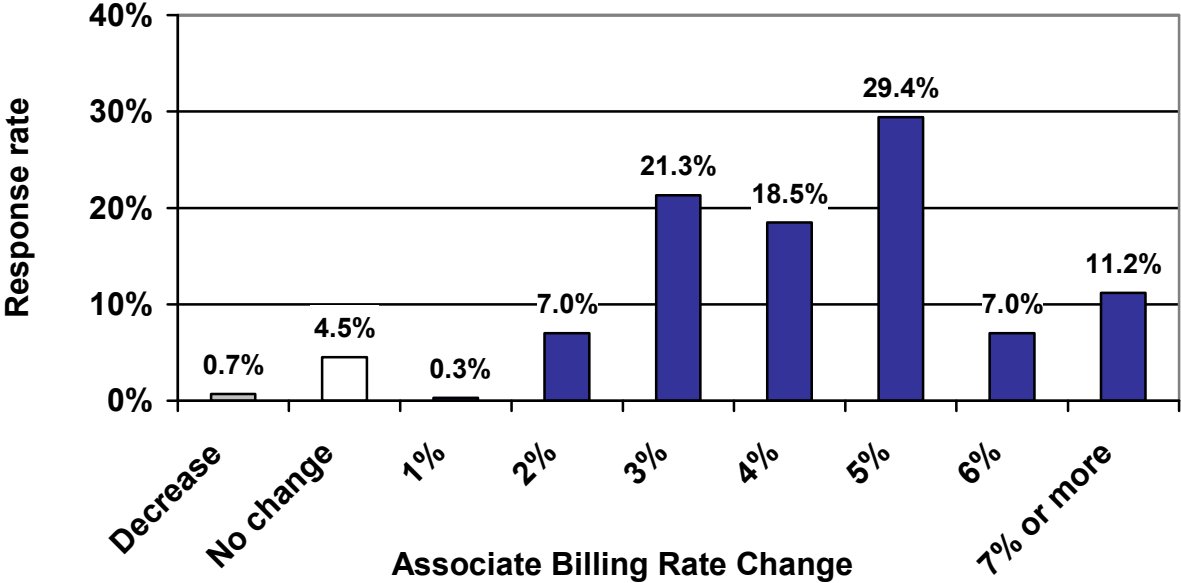


Median change: +3%

Pricing: 2014 Associate Billing Rates

Q: What is your firm’s actual or estimated change in standard hourly billing rates for 2014 compared to 2013?

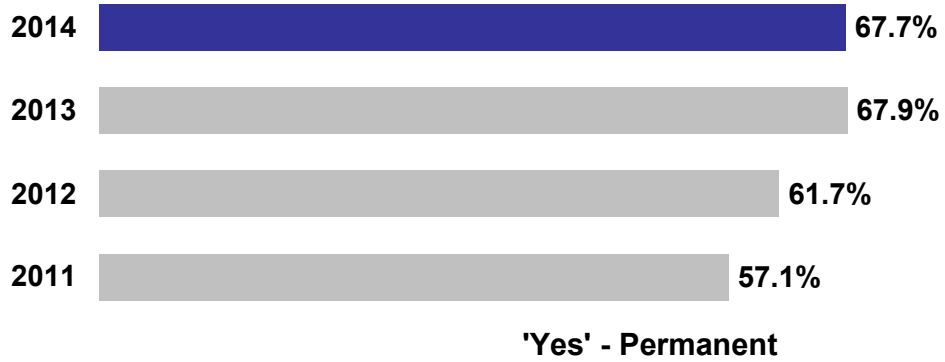
CHANGE IN BILLING RATES – ASSOCIATES



Median change: +4%

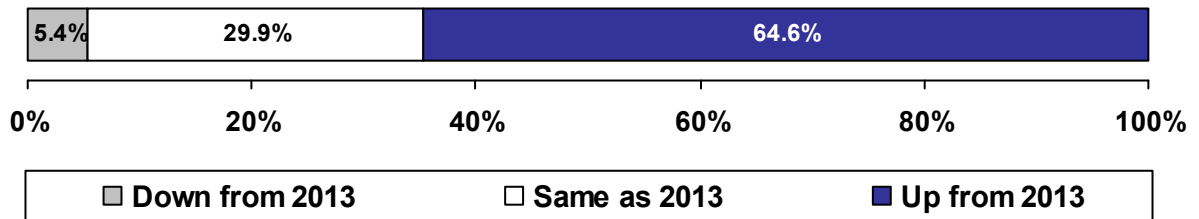
Billing Rates: Trend

Q: Do you think smaller annual billing rate increases will be a permanent trend going forward?



Pricing: Realization

Q: Overall, do you expect your firm's effective (realized) rates for 2014 to be up, down or the same as in 2013?



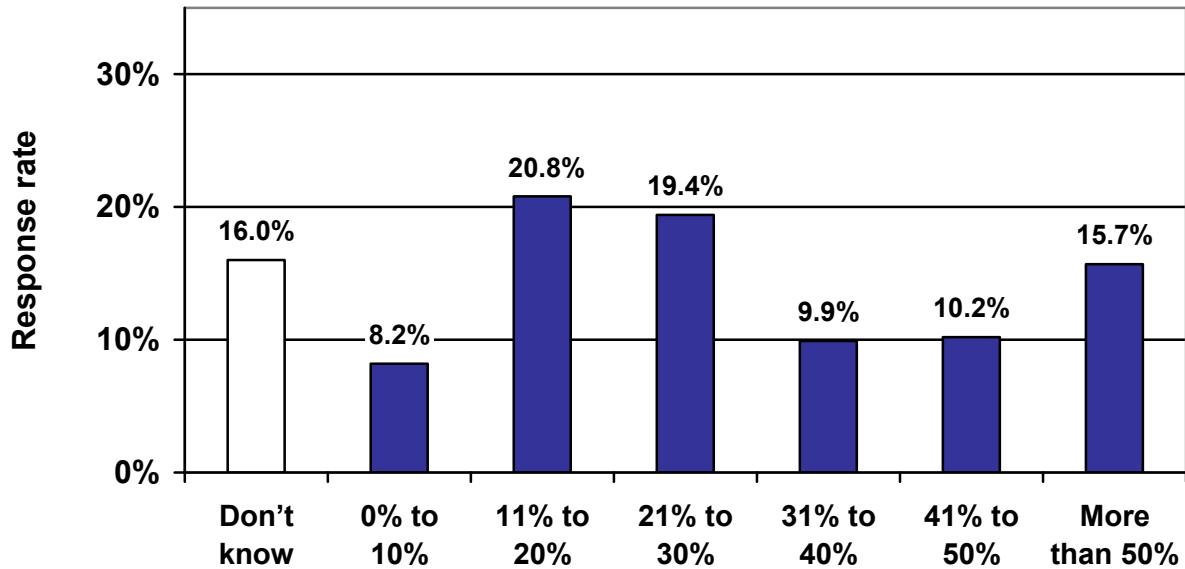
Effective Realized Rate

Comparison by year:

	DOWN	SAME	UP
2014	5.4%	29.9%	64.6%
2013	8.5%	24.8%	66.7%
2012	2.7%	28.7%	68.6%
2011	2.9%	25.2%	71.8%
2010	6.0%	34.6%	59.4%

Pricing: Discounts

Q: Do you know approximately what percentage of your firm's legal fees come from discounted rates?



Median: 21% to 30%

Comparison of median results by firm size:

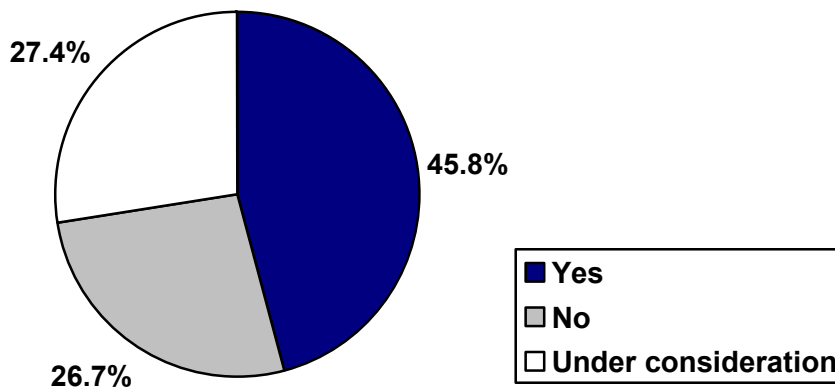
	MEDIAN
Under 250 lawyers	21% to 30%
250 lawyers or more	31% to 40%

Staffing: Lawyers & Non-Lawyers

LAW FIRMS IN TRANSITION 2014

Lawyer Staffing: Strategic Approach

Q: Many law firms feel pressure to change elements of their business model to stay competitive in the post-recession economy. Has your firm significantly changed its strategic approach to lawyer staffing strategy?

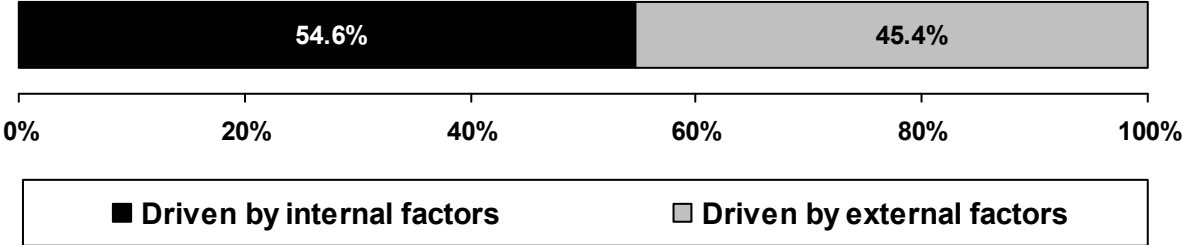


Comparison by firm size:

	Yes	No	Under consideration
Under 250 lawyers	41.0%	31.6%	27.4%
250 lawyers or more	59.2%	13.2%	27.6%

Lawyer Staffing Strategy: Drivers

- Q:** Are your efforts to change your lawyer staffing strategy driven primarily by:
- Internal factors (e.g., improved profitability)
 - External factors (e.g., client or market pressure)

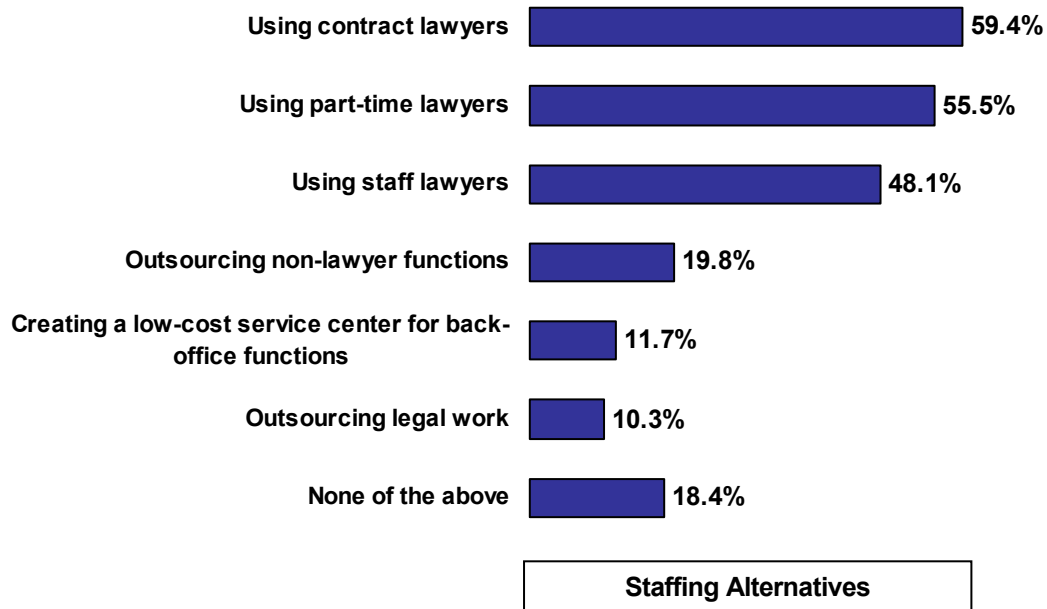


Comparison by firm size:

	Internal	External
Under 250 lawyers	56.9%	43.1%
250 lawyers or more	49.3%	50.7%

Alternative Staffing Strategies

Q: Is your firm currently pursuing any of the following alternative staffing strategies?

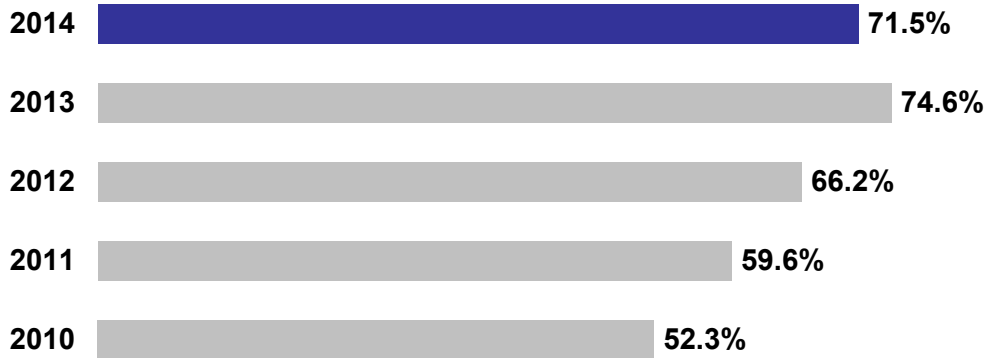


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using contract lawyers	52.2%	78.2%
Using part-time lawyers	52.2%	64.1%
Using staff lawyers	36.6%	78.2%
Outsourcing non-lawyer functions	16.1%	29.5%
Creating a low-cost service center for back office	7.8%	21.8%
Outsourcing legal work	6.3%	20.5%
None of the above	24.9%	1.3%

Alternative Staffing: Trends

Q: Do you think more contract lawyers will be a permanent trend going forward?



'Yes' - Permanent

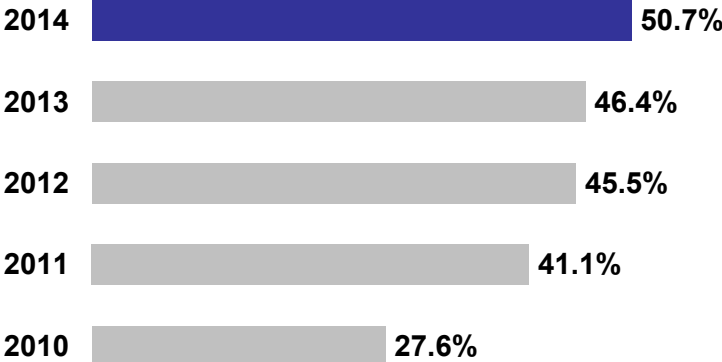
Q: Do you think more part-time lawyers will be a permanent trend going forward?



'Yes' - Permanent

Alternative Staffing: Trend

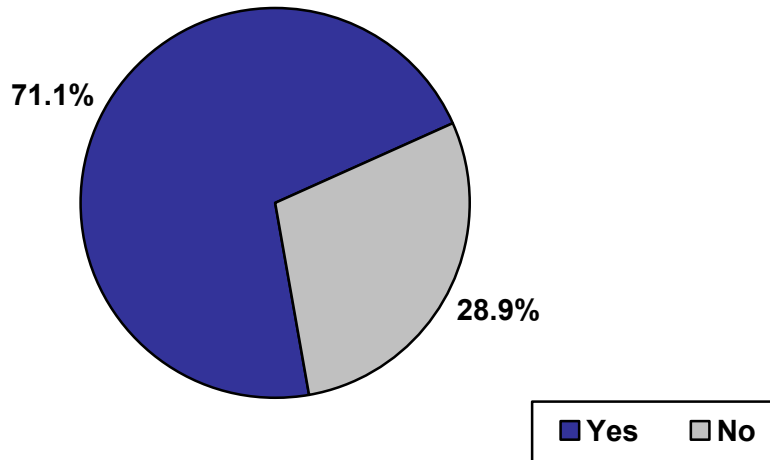
Q: Do you think outsourcing legal work will be a permanent trend going forward?



'Yes' - Permanent

Partner Strategy: Equity Partnership

Q: Since the recession, has it become harder to become an Equity Partner in your firm?



Comparison by firm size:

	YES	NO
50-99 lawyers	59.8%	40.2%
100-249 lawyers	73.4%	26.6%
250-499 lawyers	79.0%	21.1%
500-999 lawyers	87.9%	12.1%
1,000+ lawyers	89.9%	11.1%

Partner Strategy: Equity Partnership

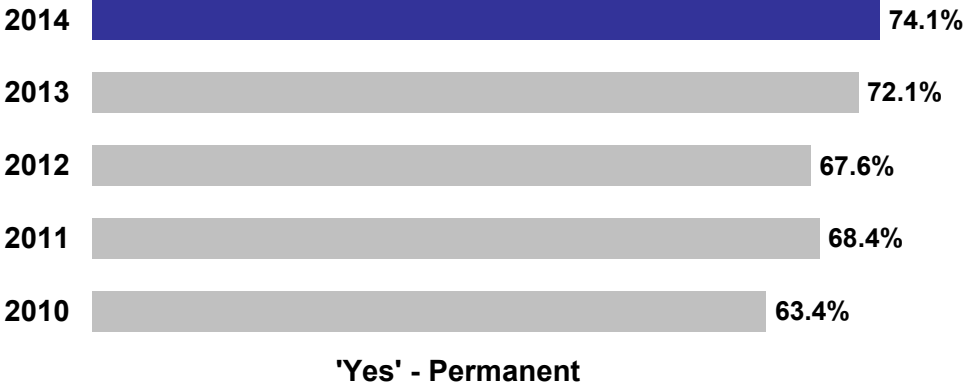
Q: Since the recession, has it become harder to become an Equity Partner in your firm?

Sample Comments:

- Yes, the threshold production numbers have gone up 20%.
- Those standards were on the increase even before the recession, but the pace of that increase has accelerated.
- While our standards have remained fairly consistent, it is arguably more difficult to reach targets due to the post-recession economy.
- Not because of a change in standards, but because of difficulty in building a book of business by the typical home-grown candidate.
- Criteria have become better defined.
- We made a conscious decision to continue to bring people into the equity ranks if they met our longstanding criteria. This has resulted in some dilution of PPP but the partners accepted that consequence.
- Although our voting partners say they want the firm to be more rigorous in partnership decisions, the partners' voting record reflects little change.

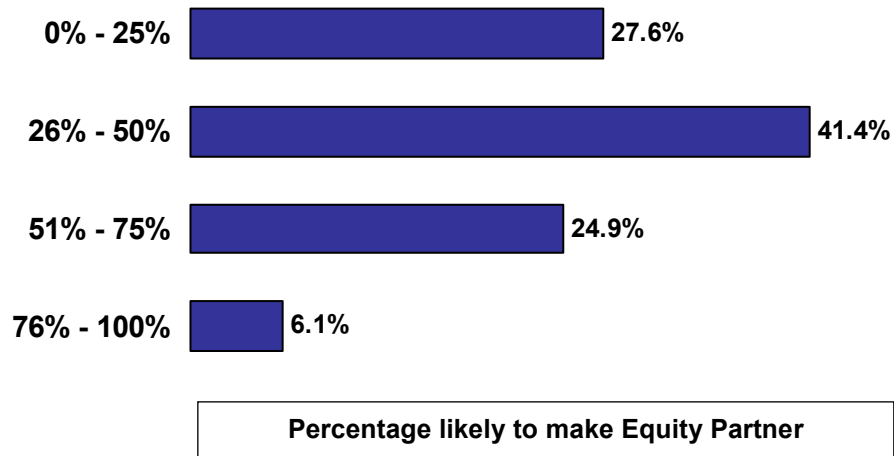
Equity Partnership: Trend

Q: Do you think fewer equity partners will be a permanent trend going forward?



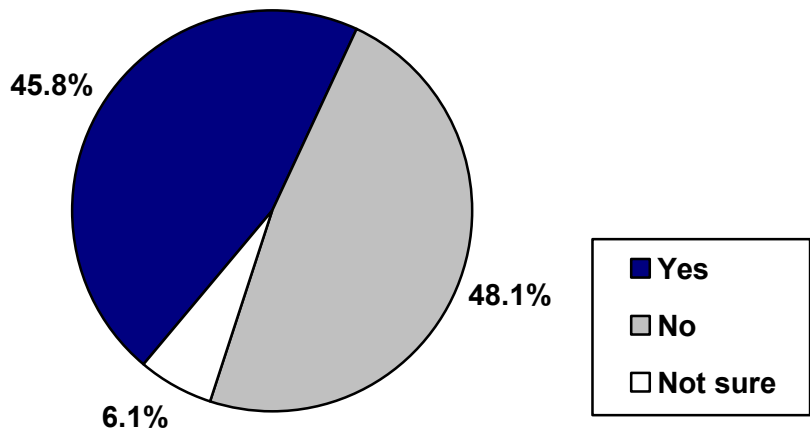
Partner Strategy: Non-Equity Partners

Q: In your opinion, approximately what percentage of your current non-equity partners have a realistic shot at joining the equity ranks of your firm?



Partner Strategy: Non-Equity Partners

Q: In your opinion, does your firm currently have too many non-equity partners?



Comparison by firm size:

	YES	NO	NOT SURE
50-99 lawyers	28.4%	63.2%	8.4%
100-249 lawyers	50.0%	45.9%	4.1%
250-499 lawyers	54.6%	36.4%	9.1%
500-999 lawyers	72.4%	27.6%	0.0%
1,000+ lawyers	71.4%	14.3%	14.3%

Partner Strategy: Non-Equity Partners

Q: In your opinion, does your firm currently have too many non-equity partners?

Sample Comments – No

- Partner title reflects quality and experience; good for marketing and client comfort.
- Unlike many firms, our non-equity partners are generally productive. It's our Counsel category that needs work.
- We have been more aggressive about moving non-equities to equity partners in the past year. Before last year, the answer would have been yes.

Sample Comments – Not sure

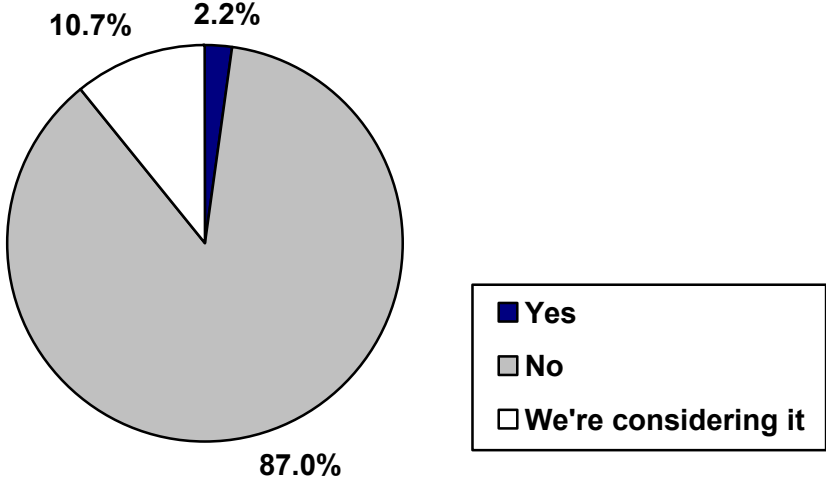
- At moment, firm is busy enough to benefit from their experience.

Sample Comments – Yes

- Not by absolute number, but based on productivity.
- Not so much in number but in terms of too many who shouldn't be with the firm, and likely won't be for long
- Some believe that the number of non-equity partners takes away from opportunities which could otherwise be afforded to "superstar" associates who are on a path to make equity partner. I think having non-equity partners serves a role, but we have to carefully manage the group.
- The firm is looking at the issue and is starting to address non-equity partners who are taking opportunities away from either associates or newly promoted non-equity partners.
- The non-equity position was originally created as a short term (usually 3-4 years) spot for attorneys who clearly were on a path toward equity. I believe it still works well for that specific purpose. However, it has evolved to a point where it includes lawyers who may have a narrow skill set that would not justify equity consideration but who we needed to make partner if we wanted to keep them. Also, while we don't do it often, the non-equity position has served as a "landing spot" for equity partners who were no longer deserving of an equity position but who were not asked to leave. In addition, I believe the existence of a non-equity category has enabled us to at times avoid a tough decision in regard to a partner candidate who we suspect will probably never make equity. For these reasons, the non-equity category has become difficult to manage.

Partner Strategy: Non-Equity Partners

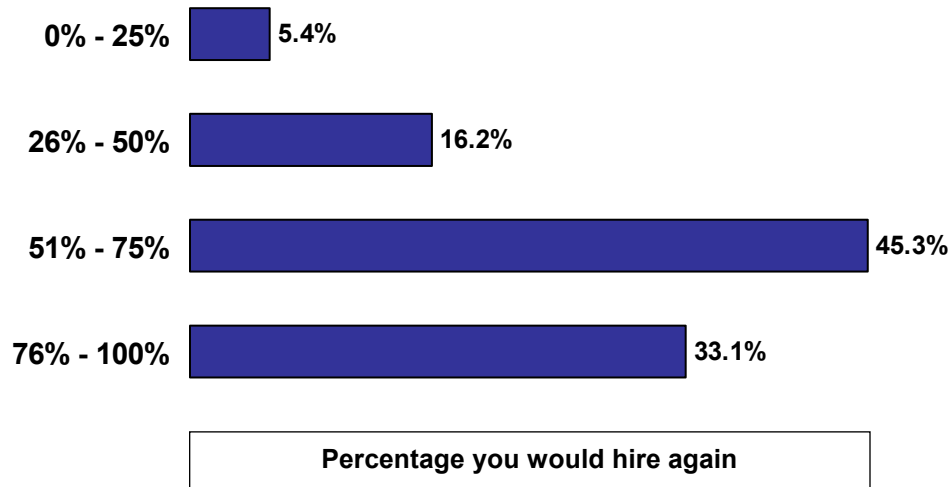
Q: Do you have an 'up or out' policy for non-equity partners? (responses are from multi-tier firms only.)



Although almost half of all firms think they have too many non-equity partners, only 2.2% have an 'up-or-out' policy in place. Law firms need to manage the non-equity tier with much more attention and discipline – including standards for entry and exit.

Laterals Strategy: Effectiveness

Q: Considering the performance of the lateral partners your firm has hired in the last five years (whether they are still at your firm or not), what percentage would you hire again today?



Sample Comments

- A few misses but not terribly many - and the more experienced we are at it, the better we are.
- In the aggregate, lateral recruitment was critical and has been a success. Of course, some have been better than others.
- Not all of them work out as expected, but we're very selective and probably hire fewer lateral partners than most competitive firms.
- Our best successes (close to 100%) have been at the senior, "rainmaking" level.
- As we engaged in more lateral recruiting and hired a professional recruiter working for us, the quality of candidates dramatically improved. We learned that recruiters who bring a candidate to you are not worth talking to, much less hiring.
- Predicting the future success of some laterals is easy; but for most, it's very difficult.
- We have not had good success with lateral partner hiring.

Laterals: Trend

Q: Do you think increased lateral movement will be a permanent trend going forward?



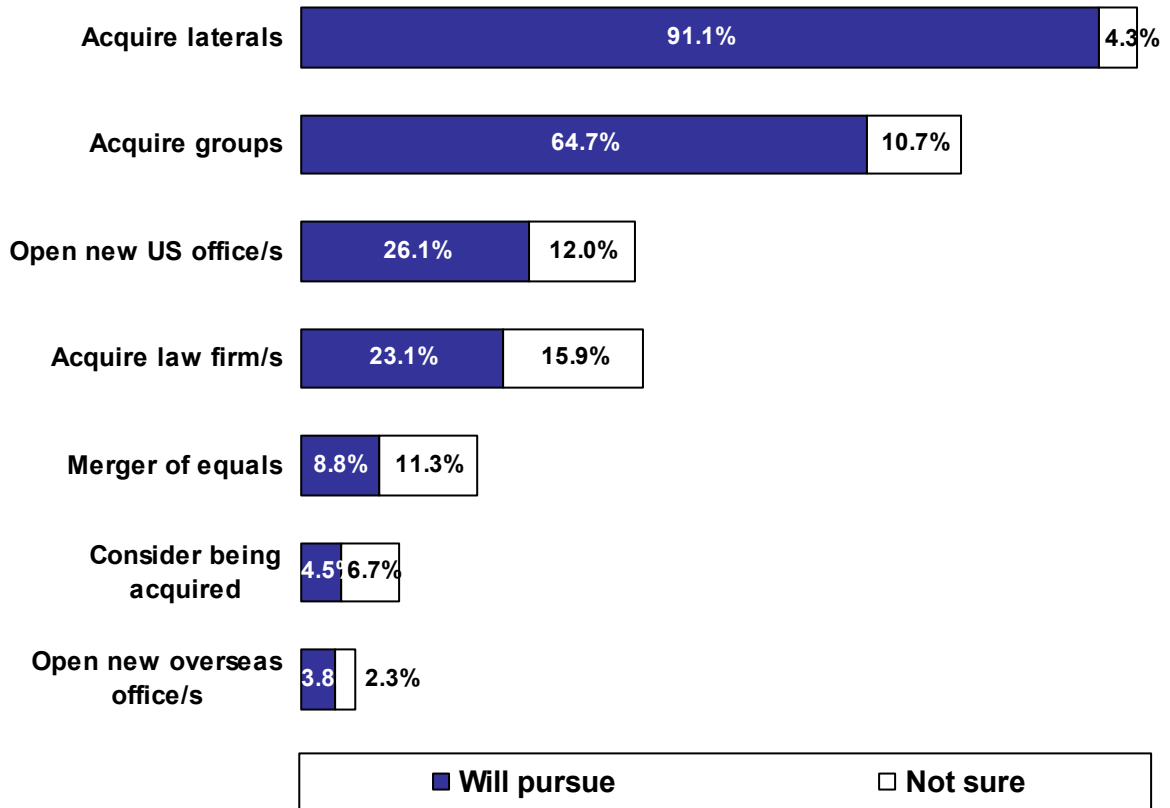
'Yes' - Permanent

Law Firm Growth

LAW FIRMS IN TRANSITION 2014

Law Firm Growth Strategy: 2014 Plans

Q: What growth options, if any, will your law firm pursue in 2014?



Law Firm Growth Strategy: Trends

Top 2014 growth options by firm size:

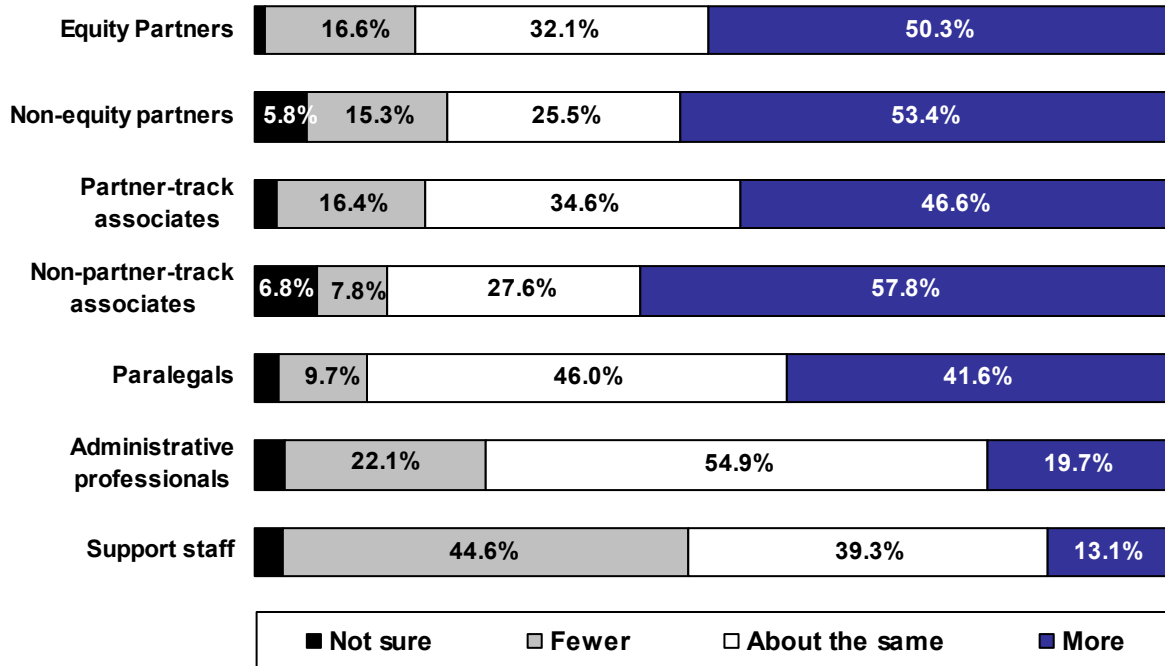
	Under 250 lawyers	250 lawyers or more
Acquire laterals	87.8%	100%
Acquire groups	52.6%	96.3%
Open new US offices/s	19.2%	45.2%
Acquire law firms	16.8%	40.0%

Top growth options by year:

	2010	2011	2012	2013	2014
Acquire laterals	85.3%	91.6%	92.3%	89.4%	91.1%
Acquire groups	54.8%	67.1%	68.2%	62.0%	64.7%
Open new US office/s	17.5%	24.6%	27.9%	27.4%	26.1%
Acquire law firm/s	19.7%	23.0%	29.5%	27.1%	23.1%

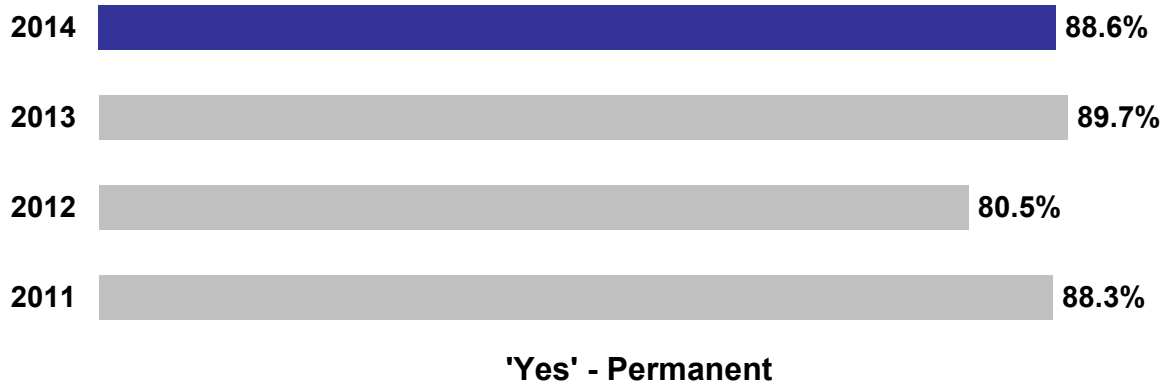
Law Firm Growth: Five Year Outlook

Q: Five years from now, how do you think the core components of your law firm will have changed in size?



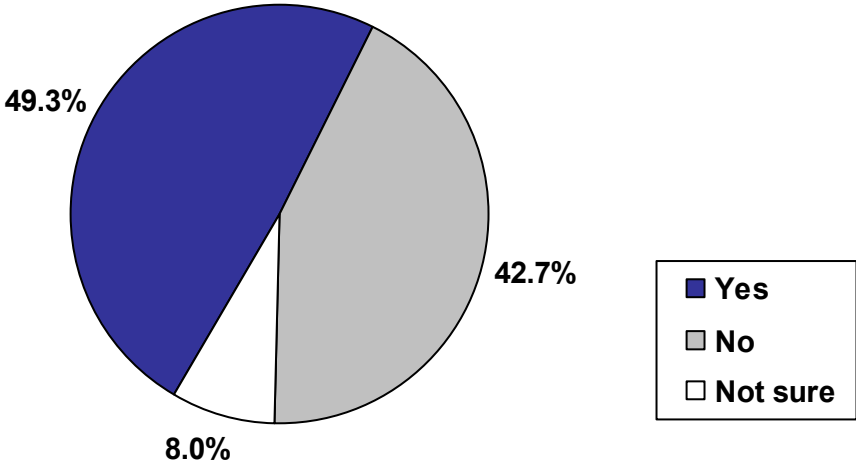
Support Staff: Trend

Q: Do you think fewer support staff will be a permanent trend going forward?



Law Firm Growth Imperative

Q: Do you believe growth (in terms of lawyer headcount) is a requirement for your law firm’s continued success?



Comparison by year:

	YES	NO	NOT SURE
2014	49.3%	42.7%	8.0%
2013	55.7%	35.7%	8.5%

Law Firm Growth Imperative

Q: Do you believe growth (in terms of lawyer headcount) is a requirement for your law firm's continued success?

Sample Comments - Yes

Yes, to attract and retain clients:

- I believe that continued growth, depth and expertise is essential to securing high value engagements.
- In sophisticated practices such as we have there is a need to show critical mass and depth. We need to demonstrate not just expertise but the ability to get the matter completed quickly and with maximum efficiencies. It cannot appear to "overwhelm" the firm's capacity.
- We have some smaller offices in large markets that must be bigger to compete better.

Yes, to add depth or breadth:

- Only to maintain adequate depth/redundancy in important practice areas.
- Scale continues to be important to build the efficiencies we need and to allow the firm to improve the support we are able to provide the firm attorneys and our clients.
- Because we are expanding into other states and jurisdictions.

Yes, to be more profitable:

- If we can continue to attract individuals or groups to enhance existing profitable practices or to start new ones that make sense for the firm then the answer would be yes.
- Depends on definition of success, but we need to grow headcount to remain competitive in our core fields and grow our profitability.
- Not growth for growth's sake, but rather growth in lawyer headcount to increase revenues, while at the same time aggressively managing expenses, therefore leading to better profitability.

Yes, we believe in growth:

- It is very much part of our culture, so yes.
- Not big growth for growth's sake, but organic, strategic growth.
- The firm can continue to be successful with our current headcount; we believe that greater success will require us to grow.

Law Firm Growth Imperative

Q: Do you believe growth (in terms of lawyer headcount) is a requirement for your law firm's continued success?

Sample Comments - No

No, we want growth in profitability / productivity rather than headcount.

- Increased profitability is the desired goal. With or without growth, profits are the goal.
- We might be more profitable by limiting the number of attorneys and being more selective about retaining clients, i.e., eliminating some less profitable relationships.
- Not overall headcount, but "headcount" of producers.

No, we value quality over quantity:

- Success is measured by our ability to attract and retain high quality lawyers who can serve well existing and new clients.
- Long term headcount growth may be a requirement for continued success but short term I am more focused on improving productivity and quality of lawyers rather than headcount.

No, it's not required:

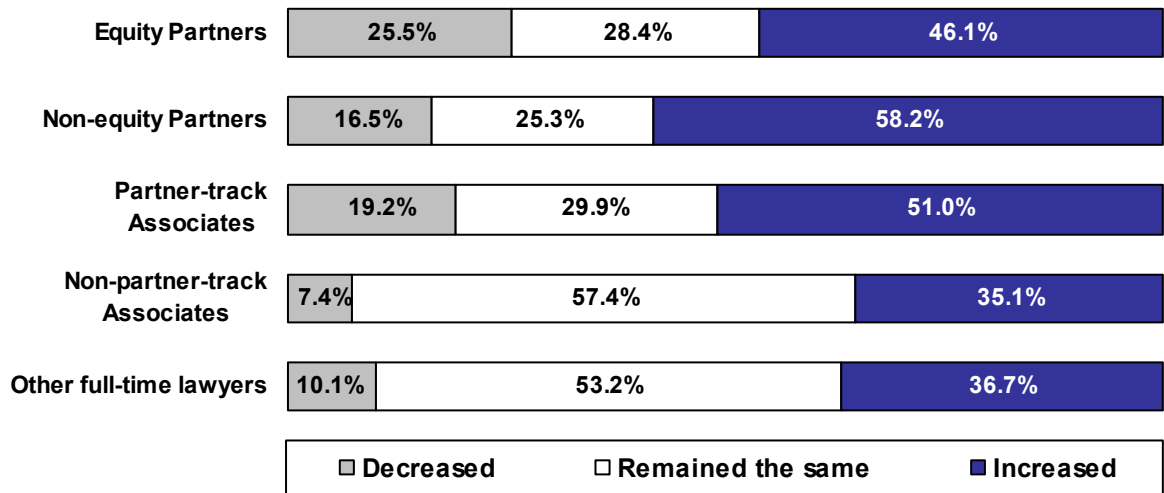
- We believe growth is just one component of the firm's continued success.
- Not as an objective; only as incidental to strategic growth.

No, but...

- But sometimes size matters when it comes to how potential clients evaluate the firm's suitability for handling certain matters.
- As long as acceptable leverage is maintained.

Lawyer Headcount 2013: Net Change

Q: What was your firm's approximate net change in lawyer headcount in each of the following categories in 2013?

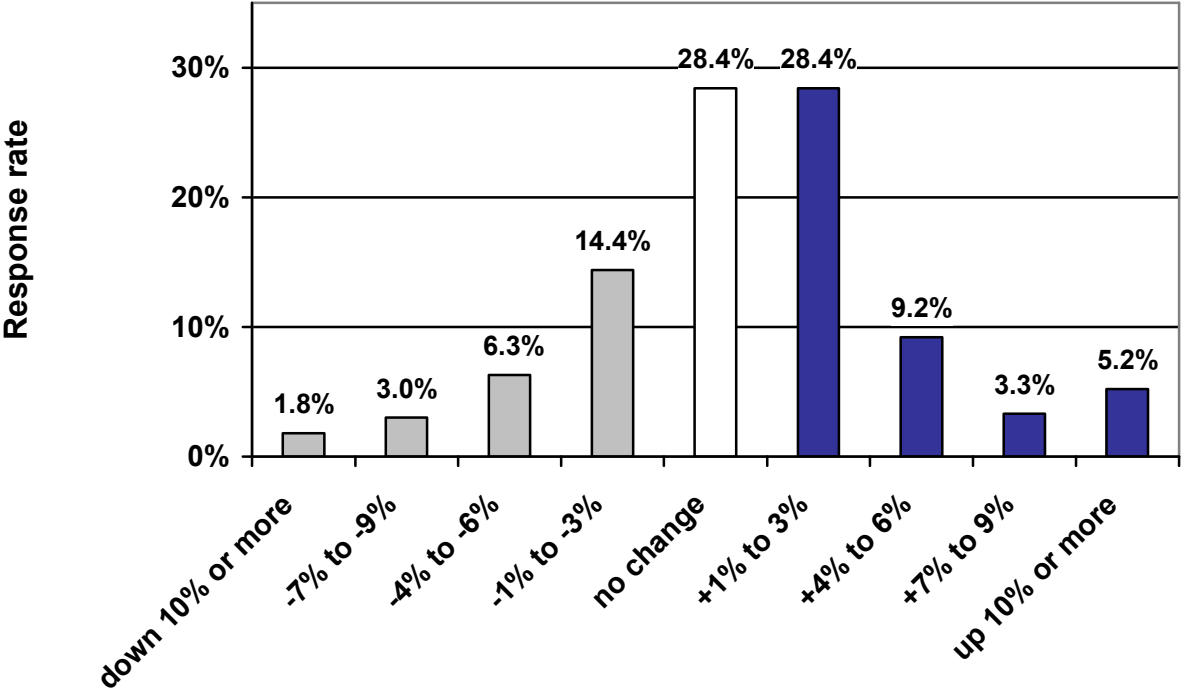


Summary of median change in 2013 headcount – by position:

	Median
Equity partners	No change
Non-equity partners	+2%
Partner-track associates	+1%
Non-partner-track associates	No change
Other full-time lawyers	No change

Lawyer Headcount 2013: Equity Partners

DETAIL: EQUITY PARTNERS

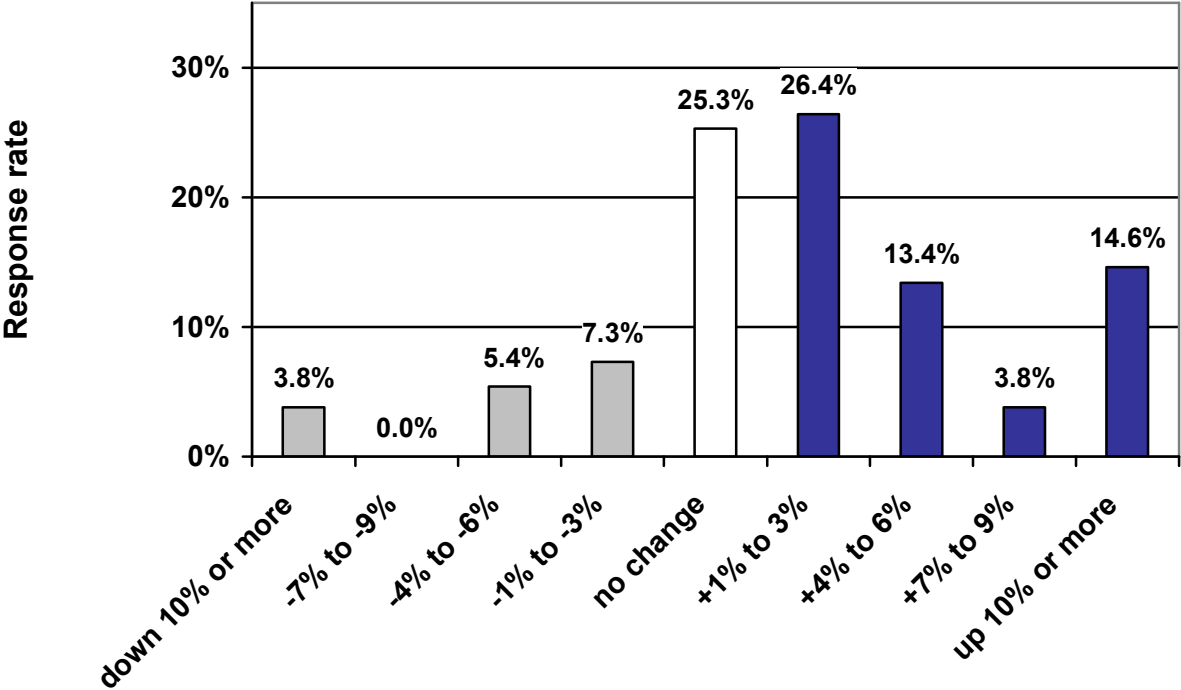


2013 Net Change in Equity Partner Headcount

Median change: No change

Lawyer Headcount 2013: Non-Equity Partners

DETAIL: NON-EQUITY PARTNERS

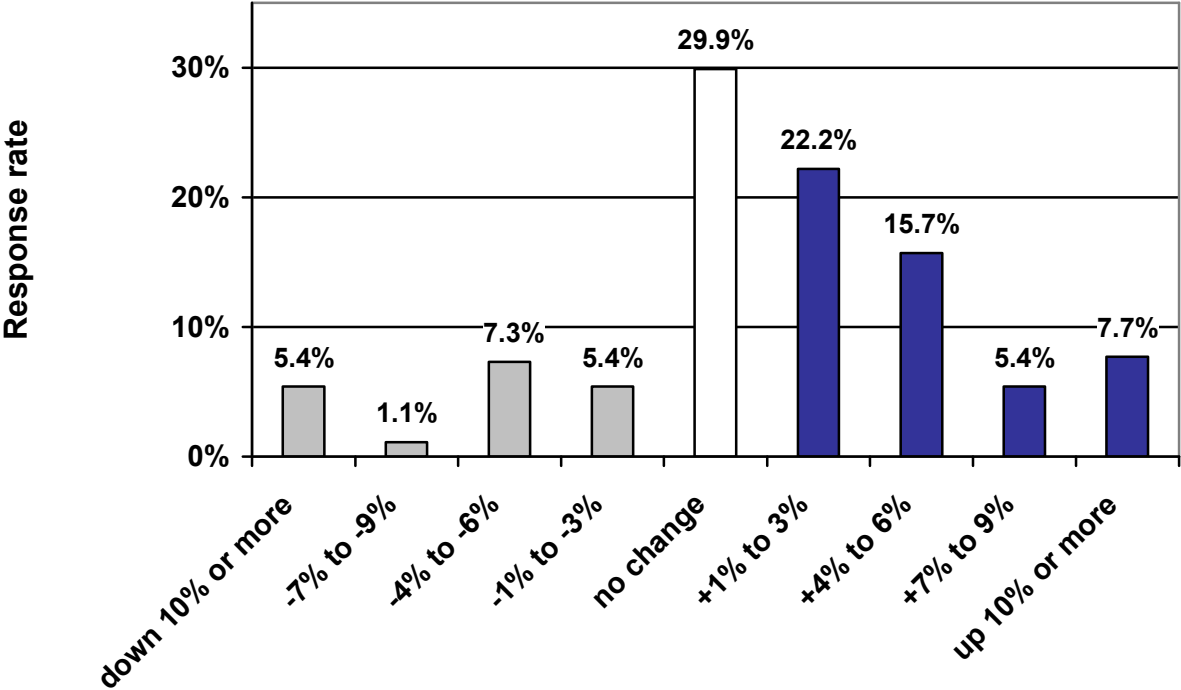


2013 Net Change in Non-Equity Partner Headcount

Median change: +2%

Lawyer Headcount 2013: Partner-Track Associates

DETAIL: PARTNER-TRACK ASSOCIATES

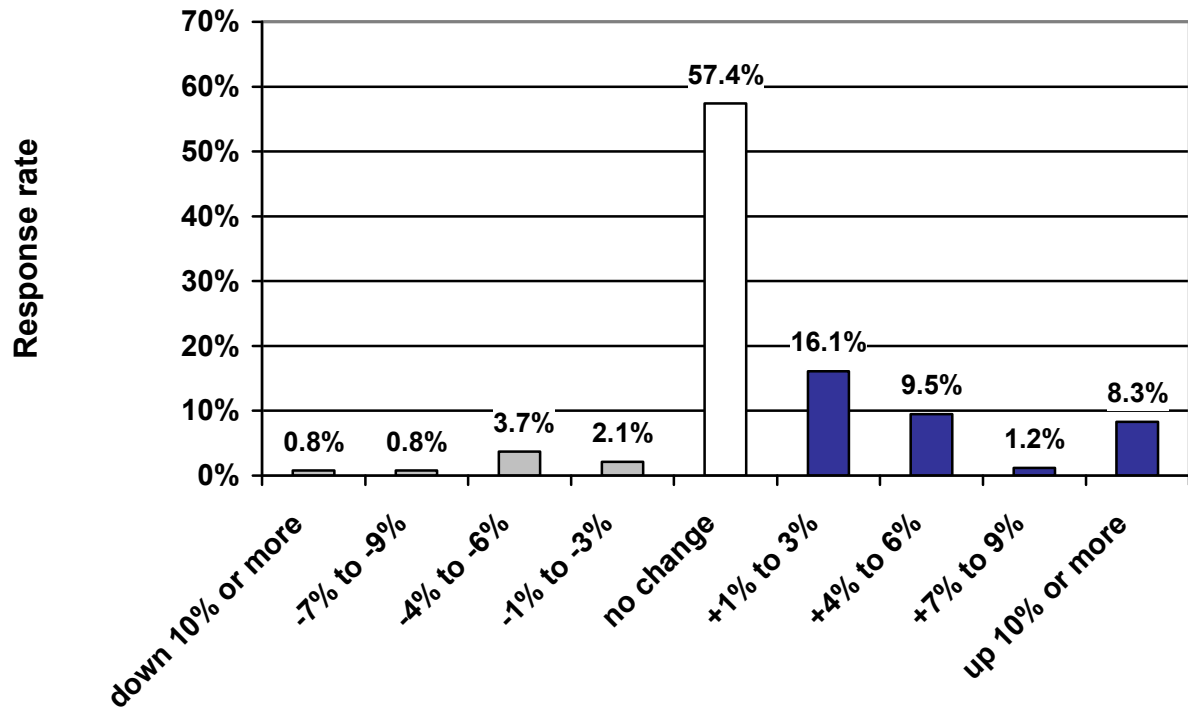


2013 Net Change in Partner-Track Associate Headcount

Median change: +1%

Lawyer Headcount 2013: Non-Partner Track Associates

DETAIL: NON-PARTNER-TRACK ASSOCIATES

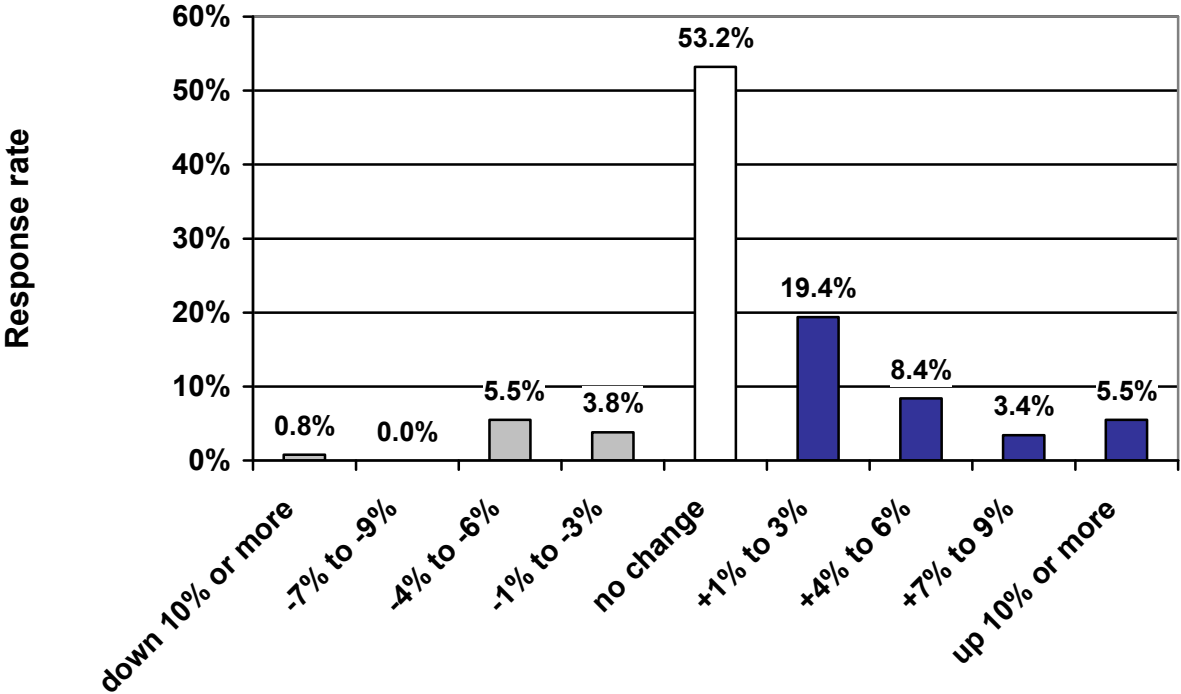


2013 Net Change in Non-Partner-Track Associate Headcount

Median change: No change

Lawyer Headcount 2013: Other Full-Time Lawyers

DETAIL: OTHER FULL-TIME LAWYERS

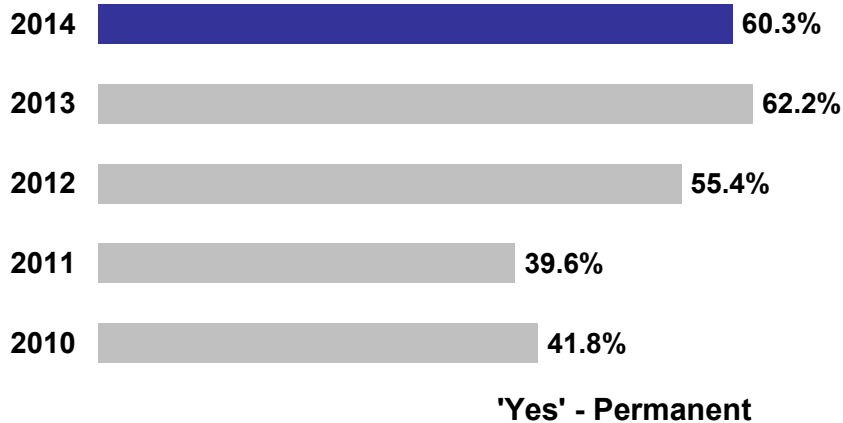


2013 Net Change in Other Full-Time Lawyer Headcount

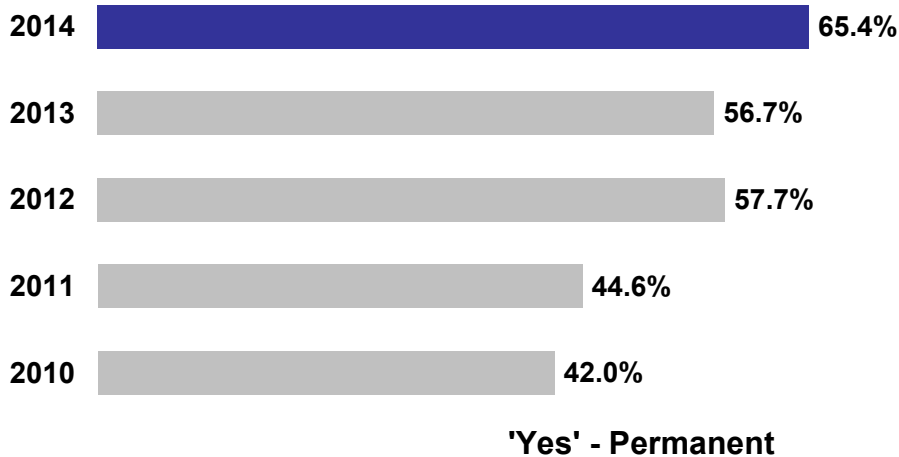
Median change: No change

Associates: Trends

Q: Do you think smaller first-year classes will be a permanent trend going forward?

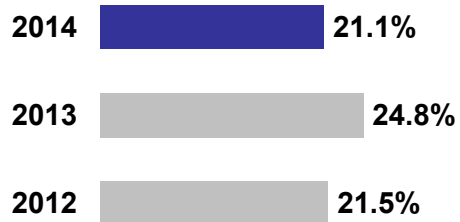


Q: Do you think reduced leverage will be a permanent trend going forward?



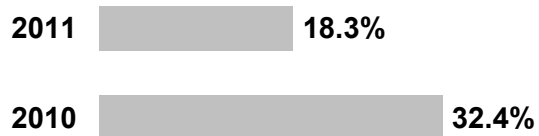
Associates: Trends

Q: Do you think holding the line on associates salaries will be a permanent trend going forward?



'Yes' - Permanent

Q: Do you think reduced associate salaries will be a permanent trend going forward?



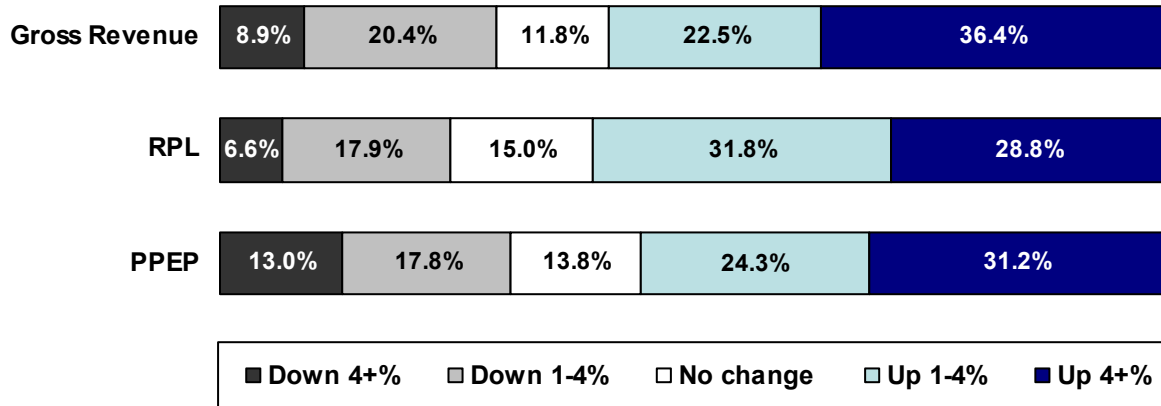
'Yes' - Permanent

Financial Performance

LAW FIRMS IN TRANSITION 2014

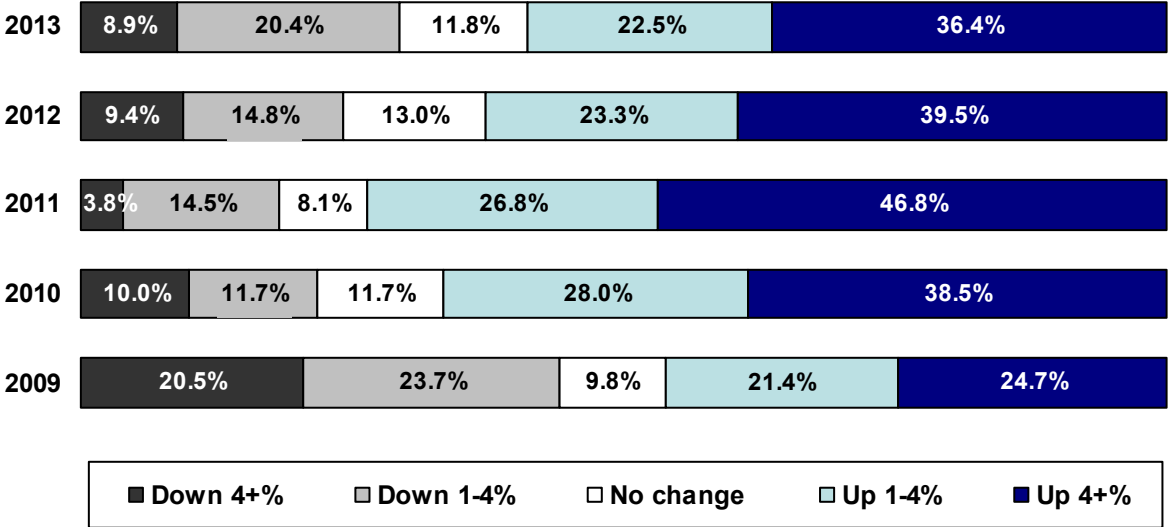
Financial Performance: 2013

Q: How did your law firm perform in 2013 compared to 2012?



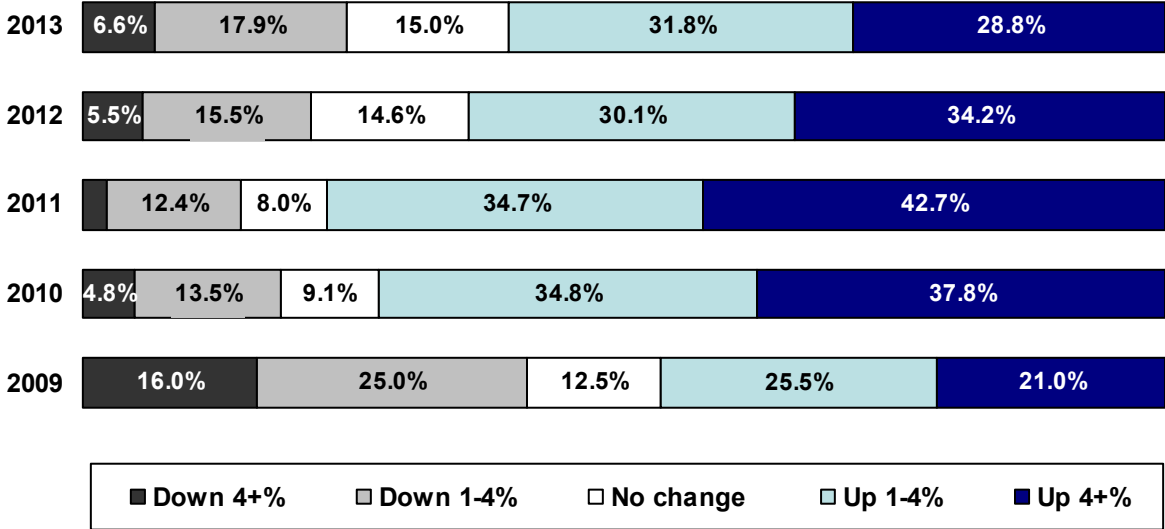
Gross Revenue: Trend 2009 - 2013

Comparison by year:



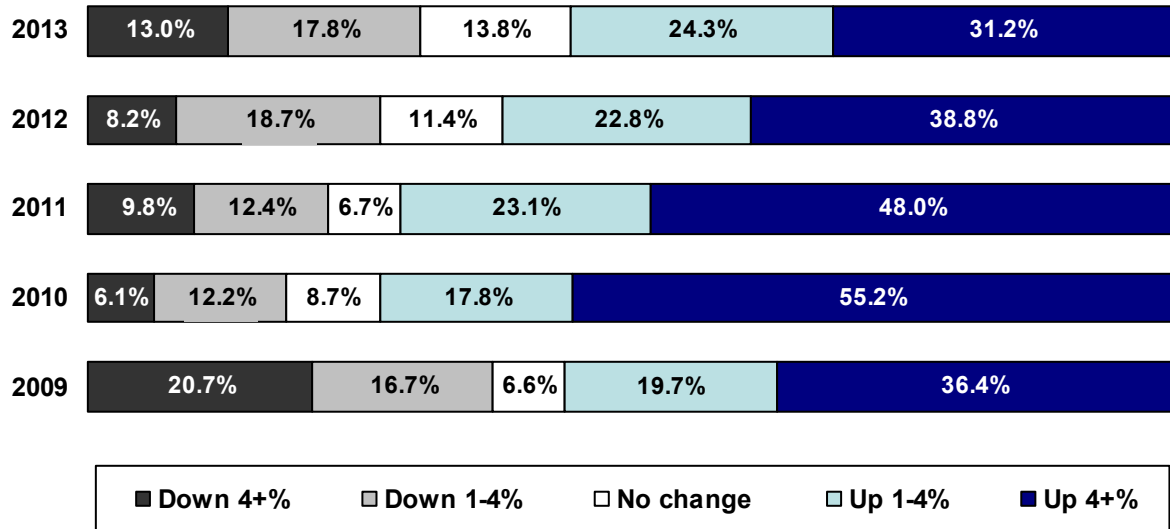
Revenue Per Lawyer: Trend 2009 - 2013

Comparison by year:



Profits Per Equity Partner: Trend 2009 - 2013

Comparison by year:



Financial Performance: Five Year Trends

Comparison of five years of survey results for economic performance in the prior year. Figures indicate the percentage of responses in each category (not the percentage change in performance).

Gross revenue	Down	No change	Up
2013	29.3%	11.8%	58.9%
2012	24.2%	13.0%	62.8%
2011	18.3%	8.1%	73.6%
2010	21.7%	11.7%	66.5%
2009	44.2%	9.8%	46.1%

RPL	Down	No change	Up
2013	24.5%	15.0%	60.6%
2012	21.0%	14.6%	64.3%
2011	14.6%	8.0%	77.4%
2010	18.3%	9.1%	72.6%
2009	41.0%	12.5%	46.5%

PPEP	Down	No change	Up
2013	30.8%	13.8%	55.5%
2012	26.9%	11.4%	61.6%
2011	22.2%	6.7%	71.1%
2010	18.3%	8.7%	73.0%
2009	37.4%	6.6%	56.1%

Financial Performance: Firm Size Trends

Comparison by firm size for economic performance in the prior year. Figures indicate the percentage of responses in each category (not the percentage change in performance).

Gross revenue	Down	No change	Up
Under 250 lawyers	33.0%	11.8%	55.2%
250 lawyers or more	19.5%	11.7%	68.8%

Revenue per lawyer	Down	No change	Up
Under 250 lawyers	28.3%	12.6%	59.1%
250 lawyers or more	14.5%	21.1%	64.5%

Profits per partner	Down	No change	Up
Under 250 lawyers	32.7%	14.1%	53.3%
250 lawyers or more	26.0%	13.0%	61.0%

Financial Performance: 2013 Overhead Costs

Q: How did your law firm perform in 2013 compared to 2012?



2013 Overhead

Comparison by year of five years of survey results on overhead costs. Figures indicate the percentage of responses in each category (not the percentage change in performance).

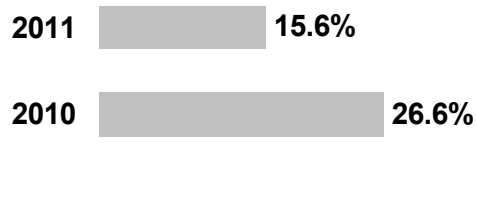
Overhead	Down	No change	Up
2013	25.6%	18.3%	56.1%
2012	29.8%	23.5%	46.6%
2011	20.1%	21.0%	58.9%
2010	52.8%	12.7%	34.5%
2009	69.0%	11.5%	19.5%

Financial Performance: Trends

Q: Do you think a slowdown in the growth of profits per partner will be a permanent trend going forward?



Q: Do you think lower profits per partner will be a permanent trend going forward?

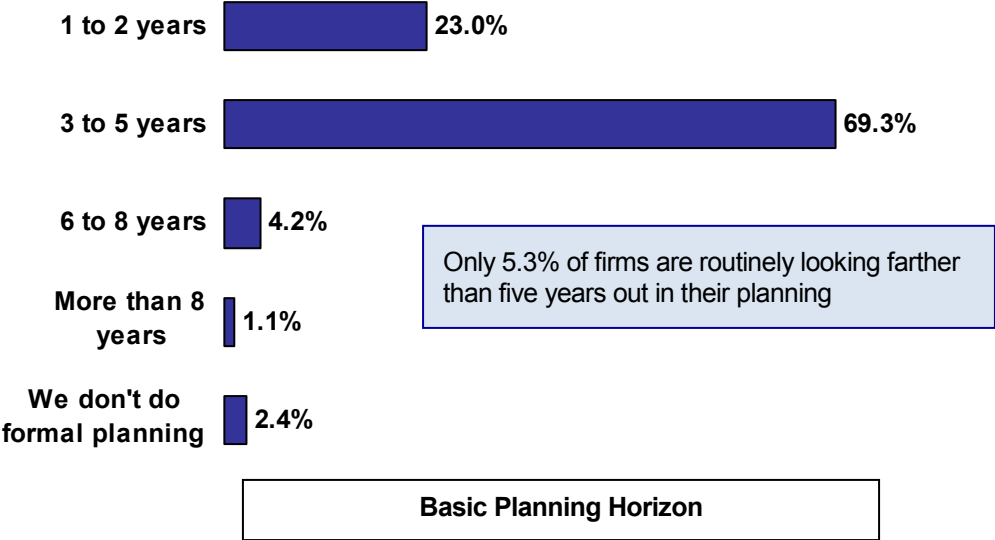


Outlook: Planning for the Future

LAW FIRMS IN TRANSITION 2014

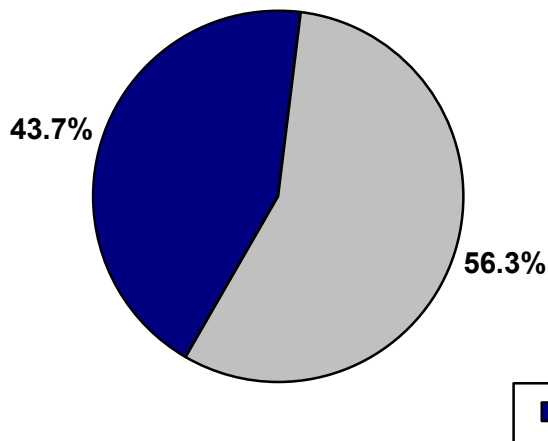
Outlook: Planning for the Future

Q: What is your law firm's basic planning horizon?



Outlook: Planning for the Future

Q: As your firm plans for the future, are you systematically laying the groundwork now for any long-term strategies that will not reach fruition for 8 to 10 years?



Short-term operational planning is always important. But longer-term strategies will be needed to respond and adapt to shifting market forces that affect competitiveness.

Outlook: Planning for the Future

Q: As your firm plans for the future, are you systematically laying the groundwork now for any long-term strategies that will not reach fruition for 8 to 10 years?

Sample Comments – No

- Law firms don't retain earnings and partners want to be paid now, not later, so an 8-10 year horizon is difficult to lay groundwork for in anything more than a modest, general way.
- Most of our specific planning initiatives are expected to reach fruition within 3 to 5 years or so, but are believed to be essential to our 8 to 10 year time horizon.
- Our partnership has not embraced the concept of succession planning.
- No, although many things we are doing will take 8 years to be fully embraced and implemented like LPM.
- Not yet but thinking that way. We know we need to.

Sample Comments – Yes

- We do shorter strategic plans because of the economy and the rapid pace of change, but we do longer planning for demographics issues.
- Primarily in area of talent development and new partner planning.
- Identifying next generation leaders; creating knowledge databases.
- Succession planning initiatives will necessarily have a slightly longer trajectory. Many development and training initiatives for our younger lawyers should bear fruit for a long time to come.
- Changing the makeup of the demographics to include fewer equity partners and associates on equity partner tracks, and more senior counsel, staff attorneys, paralegals, patent agents, contract attorneys and other less traditional staffing models to meet client needs.
- Plans are being laid by leadership; however, it remains to be seen if they will be embraced by a substantial number of equity partners.

Outlook: Law Firms in 2024

Q: **If you believe that the legal profession is in transition, in what significant ways do you expect your law firm will be different ten years from now?**

We received a wide variety of responses to this open-ended question, including both 'big picture' descriptions of the future of the profession and specific changes that law firm leaders anticipate. Following is a sampling of representative comments.

Sample Comments

THE FUTURE OF THE PROFESSION

- Higher reliance on technology solutions and the life of those solutions will shorten. Pricing models will resemble a manufacturing environment - standard costing, activity based, etc. Hope that the strength of my firm will put us in a position to pick off trophy attorneys and clients as other firms stumble.
- There may be fewer high income earners and more moderate income earners. There may be less commoditized work performed while more highly skilled work of high importance to clients occupies the high income earners. The location of the lawyer and address of the office may be of less importance to clients than the reputation and ability of the lawyer or team of lawyers in relation to the clients industry and specific issues.
- Better utilization of technology. Gen-X/Millennials will be that much older and have more input on how to efficiently deliver client service, with some of the older generation having retired. Likely to be much more value based/project management based/alternative fee based work which will require a different delivery model for legal services. Fewer support staff. Likely more outsourcing on administrative services within the firm.
- Technology will play a more important role as will contract lawyers and staffing "on demand." We will see more fixed pricing although not an entire change from hourly billing. Non-lawyer professionals in litigation support and project management will gain acceptance. More mergers and if laws change, mergers of large firms with accounting or consulting firms.
- Fewer equity owners though with a hybrid class of non-equity owners who have skin in the game but not full ownership or voting rights within the firm. More services will be delivered from lower cost sites either in the United States or outside of it and technology will be used to replace a significant amount of non-billing support staff. Those who cannot be replaced, in large measure, will be outsourced.

Outlook: Law Firms in 2024

Q: **If you believe that the legal profession is in transition, in what significant ways do you expect your law firm will be different ten years from now?**

Sample Comments (continued)

THE FUTURE OF THE PROFESSION

- Fewer equity partners and fewer lawyers overall with more "super paralegals" with legal and technology skills. More reliance on technology tools, KM and project management. Less physical space and more lawyers that work on an as needed basis.
- Reduce salaried lawyers and paralegals to 60-70% of current levels and increase project based hiring. Build robust internal talent management system to deal with use of project based lawyers. Replace paralegal function with project management function. 30-50% of engagements will be on fixed fees within five years. Further reduce office space per lawyer to 65% of existing commitment within 5 years by a substantial number of equity partners.

STAFFING MODELS: LAWYERS & NON-LAWYERS

- Changing the makeup of the demographics to include fewer equity partners and associates on equity partner tracks, and more senior counsel, staff attorneys, paralegals, patent agents, contract attorneys and other less traditional staffing models to meet client needs. I also anticipate non-lawyer professionals will become a bigger part of the firm, including leadership roles.
- Staffing, use of innovative technology, creation of new critically important full time legal positions such as knowledge management partner, staffing/project management partner, technology partner, etc.
- Fewer equity partners with leverage primarily consisting of staff attorneys and paralegals and the entire group making use of technology and knowledge management tools we cannot truly envision now.
- Lawyers will have less autonomy about the delivery of legal services and administration will be more involved in how the lawyers deliver legal services and at what price.
- More admin staff to manage processes and profitability.
- We will rely less on secretaries and support staff. That will allow us to remain competitive on pricing.

Outlook: Law Firms in 2024

Q: If you believe that the legal profession is in transition, in what significant ways do you expect your law firm will be different ten years from now?

Sample Comments (continued)

EFFICIENCY OF LEGAL SERVICE DELIVERY

- Much different service delivery models, including lower cost offices focusing on back office and commoditized practices, better internal data management to improve efficiency of AFAs, more part time and flex positions that allow for specialized practices that can't be justified on a full time basis.
- We will have better data related to our experience and costs. We will be good at managing to budgets. We will be more sophisticated on pricing. Our workforce will be better optimized to client needs.
- Much greater reliance on alternative fee, as opposed to hourly, billing arrangements. Higher attorney-to-legal assistant ratio. More efficient use of office space (one size office for all attorneys). Greater reliance on technology-based improvements in efficiency.
- Better use of technologies, internal data and metrics, non-lawyer professionals to create more efficient and better delivery of services, legal and non-legal, to drive revenues and profits per partner.

PROFESSION BECOMES MORE LIKE A BUSINESS

- Much more business-like. The cost will involve some sacrifice of "the old ways" and the collegiality that the profession still enjoys to some degree, but the market is mandating serious change.
- We will be structured more like a business with a corporate model with divisions. The changes in our firm and in the industry will come slower than the pundits suggest, but they will come nonetheless.

Outlook: Law Firms in 2024

Q: If you believe that the legal profession is in transition, in what significant ways do you expect your law firm will be different ten years from now?

Sample Comments (continued)

FIRM SIZE

- Fewer lawyers, with those lawyers taking on more risk and providing less process.
- Larger, more centralized in management, possibly offering non-legal related services.
- While I am not sure that the firm will be significantly larger, I think that our firm will be decentralized with multiple offices of similar sizes. I also think that there will be national admission standards which may change the growth strategy of the AmLaw 200.
- Less emphasis on being a "full service firm."

PROFITABILITY

- Downward pressure on rates paid by institutional clients will cause firms to cut costs, leverage associates and take other steps to maintain earnings.
- Lower growth rate than in the past ten years, higher focus on maintaining margins and per partner profitability.
- More emphasis on profitability and a quicker decision making process.
- Leaner but more profitable.

TECHNOLOGY

- A new generation of lawyers will be in charge ten years from now that will understand how to effectively utilize technology. They will drive the improved use of technology to serve clients.
- Everyone will have to embrace technology.

Outlook: Law Firms in 2024

Q: If you believe that the legal profession is in transition, in what significant ways do you expect your law firm will be different ten years from now?

Sample Comments (continued)

PHYSICAL WORK SPACE

- Lower overhead expense per lawyer, smaller offices, increased virtual interaction.
- As Baby Boomers retire and technology advances, I anticipate that the law firm will be more flexible both in physical structure and work environments/locales.

THE NEXT GENERATION OF LAWYERS

- It will be run by a new generation of partners that are entered the practice post 2000 and will necessarily need to have more flexible work options to reflect the increasingly diverse attorney work force. Use of new technologies will be important as clients will have adapted to the available tech options and we should as well.
- We need to face the retirement of founders and plan for other partners to take over leadership positions.

OTHER

- Will be more customer-centric with relationships more important than ever.
- Law firms will need to act more like our clients, and actually innovate. The winners will be those firms that think creatively and are successful in implementing the right change.
- Less "fun" - more work for same tangible and intangible rewards.
- It will either have significantly changed or no longer be in existence.

Demographics

LAW FIRMS IN TRANSITION 2014

2014 Survey Participant Demographics

In March and April 2014, Altman Weil surveyed Managing Partners and Chairs of 803 US law firms with 50 or more lawyers. We received responses from 304 firms, a 38% response rate.

Firm Size*	All US Law Firms	Survey Participants	% Response
1,000 +	24	9	38%
500 – 999	67	34	51%
250 – 499	83	38	46%
100 – 249	236	109	46%
50 – 99	393	114	29%
All	803	304	38%

The respondent group includes**:

- 42% of 2013 NLJ 350 law firms
- 42% of 2013 AmLaw 200 law firms

* The exact number of lawyers in a law firm changes frequently. The universe of law firms surveyed is based on published directories and league tables available in spring 2014. Survey participants reported their own headcounts.

** Some firms participated anonymously and therefore could not be assigned to NLJ or AmLaw categories.

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