

2015
Law Firms in Transition
An Altman Weil Flash Survey



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Contributing Authors

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LAW FIRMS IN TRANSITION 2015

Now in its seventh year, Altman Weil's *Law Firms in Transition Survey* continues to document how the business of law is changing and identify emerging forces that will move the legal market forward — whether law firms are ready or not.

Key findings from the 2015 survey include:

- Increases in law firm profitability are clearly linked to strategic changes in lawyer staffing, efficiency of legal service delivery and pricing approaches.
- A high level of decision-making authority conferred on law firm leaders correlates with better economic performance.
- Overcapacity of equity and non-equity partners, especially in larger firms, is endemic and a drag on profitability.
- Non-traditional competitors are actively taking business from law firms and the threat is growing.
- In 63% of law firms, partners aged 60 or older control at least one quarter of total firm revenue, but only 31% of law firms have a formal succession planning process.

In the following pages you'll find a summary of survey highlights, recommendations on management priorities and leadership obligations, and a full report on responses to each question in the 2015 survey.

The State of the Law Firm Market 2015

The survey finds signs of optimism among law firm leaders in the spring of 2015. Two-thirds of US law firms with 50 or more lawyers report year-on-year increases in gross revenue, revenue per lawyer and profits per equity partner last year. Almost three quarters of firms expect their gross revenue to be up in 2015. A third of law firm leaders say demand for legal services has already returned to pre-recession levels in their firms. Another 41% of firm leaders expect demand to return in the next few years.

Does this mean the ‘good old days’ are making a comeback? No. In fact, 72% of firm leaders believe the pace of change in the profession is still increasing.

The survey clearly shows that many firms are engaging in a variety of changes in response to post-recession market forces. But the majority of change efforts can be characterized as limited, tactical and reactive. Law firms appear to be gambling that a measured approach to change will hold them in good stead among peer firms taking the same incremental approach.

Why aren’t law firms doing more to change the way they deliver legal services? We asked this question in the 2015 survey and got a striking result. The number one reason law firms aren’t changing more, chosen by 63% of law firm leaders, is “Clients aren’t asking for it.” Law firms with 1,000 or more lawyers differ from smaller firms here — their top response is that they are “not feeling enough economic pain to motivate more significant change.”

New Kinds of Competition

Eighty-three percent of law firm leaders say they believe competition from non-traditional service providers is a permanent change in the legal market. Those competitors are already taking business from law firms according to the survey.

The biggest bite being taken is by clients themselves.

Sixty-seven percent of law firms say they are currently losing business to corporate law departments that are in-sourcing legal work, and another 24% of firms see this as a potential threat going forward. Clients may not be *asking* for change – but they are *showing* law firms that they can and will take alternative measures themselves to achieve greater efficiency and economy. In other words, if clients can’t buy it from law firms, they’ll build it themselves.

The second largest ‘non-traditional’ threat to law firm business is clients’ use of technology tools that reduce the need for lawyers and paralegals. Twenty-four percent of law firms are currently losing work to client technology solutions and another 42% see this as a potential threat to their firms’ business.

Non-law-firm providers of legal and quasi-legal services are taking business from 17% of law firms in 2015, and another 38% see those non-firm vendors as a potential competitive threat. Non-traditional law firms are having the least impact on traditional law firm businesses. Only 9% of firm leaders say they are losing business to that sector.

As law firms consider the competitive marketplace, they must beware of looking only at other law firms. The greatest market disruptors typically come from without, and in 2015 there are a number of significant new market forces moving to disrupt the law firm status quo.

Internal Challenges

Perhaps the greatest legacy of the recession and its aftermath for the legal profession is overcapacity — too many lawyers and not enough work. Despite painful cuts made during the downturn, many firms are still grappling to right-size their workforces.

In over half of all law firms responding to the survey, partners are not sufficiently busy in 2015. In firms with 250 or more lawyers, the number of partners who don't have enough work jumps even higher, according to their firm leaders. Not surprisingly, 61% of firms say overcapacity is diluting firm profitability, and that's the case in 74% of firms with 250 or more lawyers.

Non-equity partners continue to present a particular dilemma for law firms. Although most firms have a non-owner partnership tier and see its potential value, in many law firms a non-equity tier has become a warehouse for underperforming lawyers. Forty-three percent of all firms, and 67% of firms with 250 or more lawyers, say they have too many non-equity partners.

The planned (or unplanned) succession of Baby Boomer partners is a serious unresolved issue in many law firms. Despite the inevitable move toward retirement of this critical class of senior lawyers, only 31% of firms have a formal succession planning process in place.

The economic impact of this failure to plan for succession is imminent. In 63% of law firms, partners aged 60 or older control at least one quarter of total firm revenue.

Without systematic planned transitions, that revenue, along with valuable relationships, skills and knowledge, will be walking out the door of many law firms in the next few years.

Partners' resistance to change is an ongoing theme of the survey and is also a persistent threat to law firm success. Forty-four percent of firm leaders cite partner resistance as one of the reasons their firm is not doing more to change. As the economic outlook improves and demand returns, firm leaders will need to work harder to guard against partner complacency.

Drivers of Success

Despite a general uptick in financial results, there is clear divergence of performance in the 2015 legal market. Some law firms are doing a lot better than others. For some firms this may be due to an auspicious practice mix that meets current market needs or the geographic variables of local markets.

But the survey also reveals strategic choices that are affecting law firm performance.

Law firms that have changed their strategic approach to lawyer staffing, efficiency of legal service delivery and pricing are consistently more likely to see increases in gross revenue, revenue per lawyer (RPL) and profits per equity partner (PPEP) than those firms that have not embraced strategic change.

The greatest impact comes from strategic changes to lawyer staffing. Pursuing strategies to improve the efficiency of legal service delivery also delivers a substantial payoff according to survey results. Changing pricing strategy has a lesser, but still significant, impact on economic performance metrics.

In each case, the greatest performance differential is seen in Profits Per Equity Partner.

- 77% of law firms that changed their strategic approach to lawyer staffing reported an increase in PPEP from 2013 to 2014, compared to 56% of firms that had not made such a change – a 21-point difference.

- 76% of firms that have changed their strategic approach to efficiency increased profits per equity partner from 2013 to 2014, outperforming firms that had not by 15 percentage points.
- 75% of firms that changed their strategic approach to pricing had increases in profits per equity partner compared to 66% of firms that had not made those changes.

Another interesting correlation revealed by the survey is between the amount of decision-making authority conferred on firm leadership to undertake change efforts and improved economic performance. When we compared the financial performance of those firms that rated leaders' decision-making authority high (8, 9 or 10 on a zero to ten scale) versus those firms that rated it on the bottom half of the scale (from 0 to 5), we found a consistent financial edge attached to those firms in which leaders have more authority to drive change.

- 74% of firms with high authority ratings reported increases in PPEP from 2013 to 2014 compared to 65% of firms in which leaders have less authority.
- 76% of high-authority firms increased their RPL in 2014, compared to only 62% of low-authority firms.

Large Law Firm Performance

The survey shows a number of areas in which larger firms vary from the average of all law firms, with the variance increasing as firm size increases.

Larger law firms tend to report larger challenges.

They have a much bigger problem with overcapacity in their partner ranks (although at same time, they are more likely to have plans to grow even larger). Demand has been slower to return in larger firms overall. And larger firms are losing more business to non-traditional competitors than smaller firms.

Larger firms offer larger fee discounts to their clients, and use more alternative fee arrangements. Surprisingly, they are only marginally more likely than smaller firms

to be proactive in their use of AFAs and, as a result, their alternative fee work is no more likely to be profitable.

Large firms are also getting more pressure from clients.

In response they are doing more, both strategically and tactically, to change traditional pricing, staffing and service delivery models. They also report a higher level of decision-making authority conferred upon their leaders to drive change in their firms.

When it comes to financial performance, as a group larger law firms consistently report better results for gross revenue, revenue per lawyer and profits per equity partner. Although there are many reasons why larger firms might outperform smaller firms, it's noteworthy that large firms are doing more of those things identified in the survey as drivers of economic success.

There are also some areas where large law firm leaders are closely aligned with leaders of smaller law firms.

Leaders in firms of all sizes are in accord on their views of the changes in the legal profession. They agree on the permanence of most new industry trends, as well as the increasing pace of change. They share confidence in their firms' ability to meet the challenges of change. And they struggle with the same degree of resistance to change from their partners.

Managing for the Future

Over the last seven years, our surveys have chronicled the transition to a permanently altered landscape for law firms.

Those firms that have done more in the areas of pricing, staffing and efficiency are outperforming those that have done less. We see a clear correlation. These are rational business responses to the trends before us.

As demand returns, firms will still have to hustle, be lean, be businesslike, and understand and deliver client service and value to outperform their peers. Firms that have begun change efforts will need to stay the course and avoid complacency. For

the rest, it's not too late to begin. But in the absence of serious strategic change, the gap between higher and lower performers can be expected to widen.

Clients must be the center of your strategy. Not changing more because "Clients aren't asking for it" is a terrible mistake. Don't wait for clients to ask — instead demonstrate to them that you understand what they want (or that you want to find out) and are willing to do what it takes to deliver. Do the work to define your firm's legitimate, meaningful, differentiating advantages and communicate them.

Pricing is always a core issue. More and more clients are saying they want some form of alternative fee arrangements at least some of the time, but most law firms still don't approach AFAs proactively. It is a management imperative to maximize the profitability of any fee structure routinely used by the firm. Start today.

Overcapacity and under-productivity are real problems diluting profitability and compromising too many law firms' long-term health. Stop pushing the problem onto your business development professionals — they can't solve it for you. Adopt an 'up or out' policy for non-equity partners. Stop hiring associates without critical analysis of future needs. Rethink your firm's five-year staffing profile. Candidly assess your legal personnel and invest exclusively in high-quality people delivering outstanding performance.

Effectively planning the retirement of Baby Boomer partners is critical and must be resolved in the next 3 to 5 years. The timing is not flexible, and if unaddressed the cost in lost revenue and client relationships could be devastating. Quantify and personalize the situation in your firm without delay. Establish each senior partner's intentions and timeline, address compensation issues and create a formal framework to achieve the smooth transition of clients and knowledge.

Most firm leaders see the inevitable move toward fewer support staff. But do your partners share that vision? You will need to help them envision a future in which a six or eight lawyers per secretary ratio is the norm — and understand why. Start the process now.

There is a dawning recognition of the power of 'smart' technology to do work that paraprofessionals and lawyers traditionally have performed. This will present a mortal threat to some practices, but the impact of new technology is woefully

misunderstood by most law firm partners. Systematically assess and plan for the impact of changing technology on each of your practices over the long term. Learn which technology trends your clients care about and find ways to get ahead of the curve.

Use your next retreat to focus on long-term competitive advantage, not next year's profitability. Adaptation plans should be bold and transformative, although they will be underpinned by more incremental, short-term activities. Disrupt from within before you are overtaken by external disruptors.

The Obligations of Leadership

In an organization of highly intelligent, independent and skeptical lawyers, leadership is a particular challenge. And in a partnership organization the authority to lead must be granted by your partners; it cannot be commanded. Altogether law firm leadership is a tough job.

But those who take the path of least resistance or settle for the lowest common denominator of agreement are no more than caretakers; they are not leaders. That might have been a viable alternative in strong economic years, but in the current market it reflects a failure to address threats and to seize opportunities at this pivot point for the legal profession.

The *2015 Law Firms in Transition Survey* shows that a large majority of law firm leaders see the profession is changing. The survey also shows a correlation between those firms that are doing more to address those changes and those that are enjoying greater economic success.

This is not about business development or 'making your numbers.' It is about changing the way work is done and priced. It is about rethinking client relationships and service delivery. Opportunities clearly exist to differentiate your firm, move past competitors and strengthen the foundation of your law firm. Some firms have accomplished this already. But it doesn't happen without committed leadership.

Reimagining the practice of law is unlikely to be on the to-do list of busy practitioners. It's the leader's job to put it there and inspire a sense of urgency. Bill Gates has observed that people are lulled into inaction because they "overestimate

the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

Leaders must become more forward-looking and get every lawyer in the firm to look into the future with them and understand the impact of trends already in motion. Ask your partners what they think their practices will look like in eight to ten years if the forces of commoditization and technological change progress at the same or increasing pace.

Without a substantial number of partners seeing a different future, little is likely to happen. Start with the ‘why’ and educate your partners more widely and deeply on how market trends will affect their practices. Every time you change one mind you will gain an apostle to communicate the change message to others.

Leaders get people to do things they might never do otherwise. Ultimately, that is the essence of leadership and the task before you now.

SURVEY METHODOLOGY

Conducted in March and April 2015, the *Law Firms in Transition Survey* polled Managing Partners and Chairs at 797 US law firms with 50 or more lawyers. Completed surveys were received from 320 firms (40%), including 47% of the 350 largest US law firms.

The full survey is available online to download at: www.altmanweil.com/LFiT2015. Special reports based on law firm size ranges are available exclusively to survey participants.

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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.

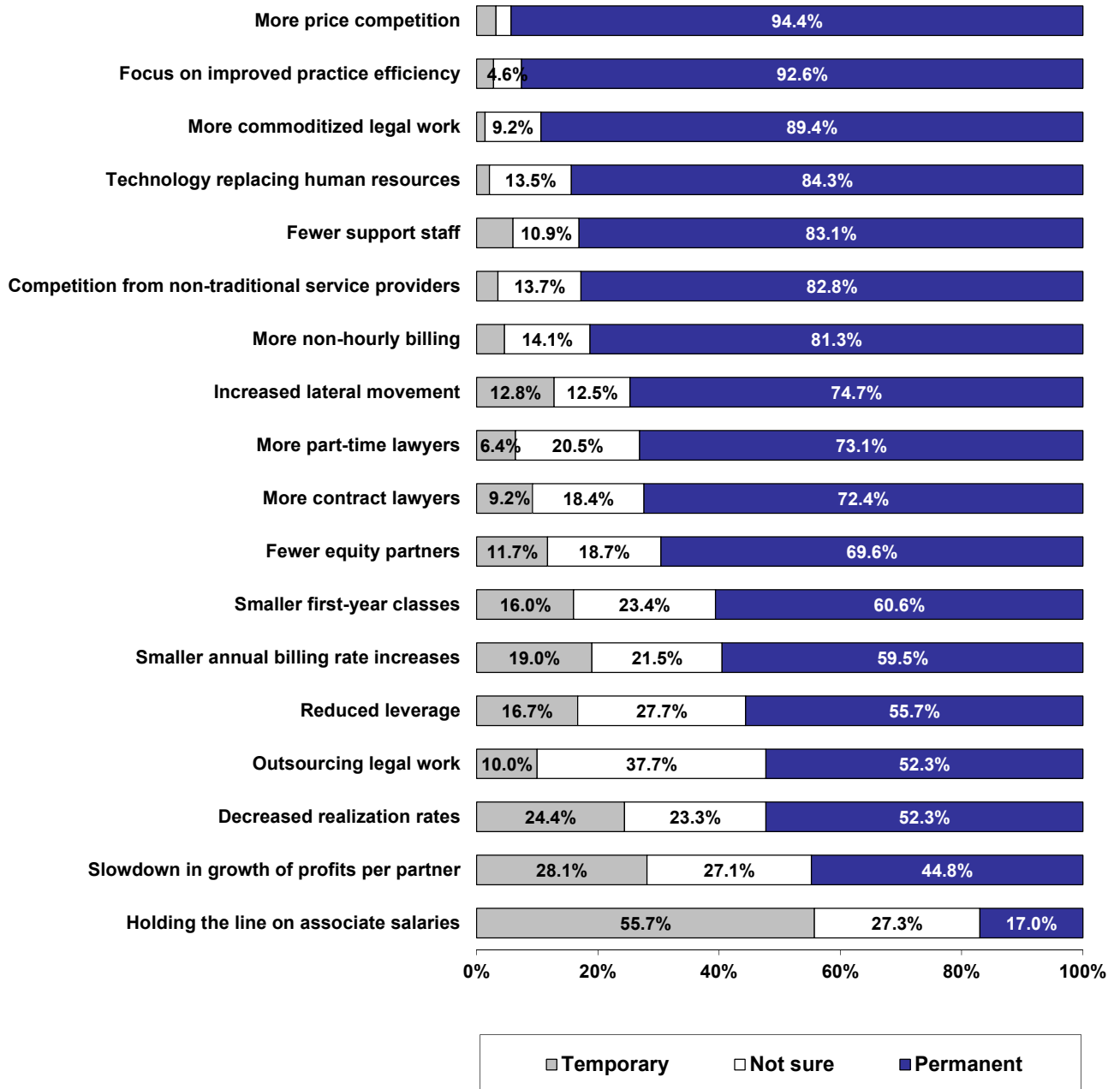
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Leading Change

LAW FIRMS IN TRANSITION 2015

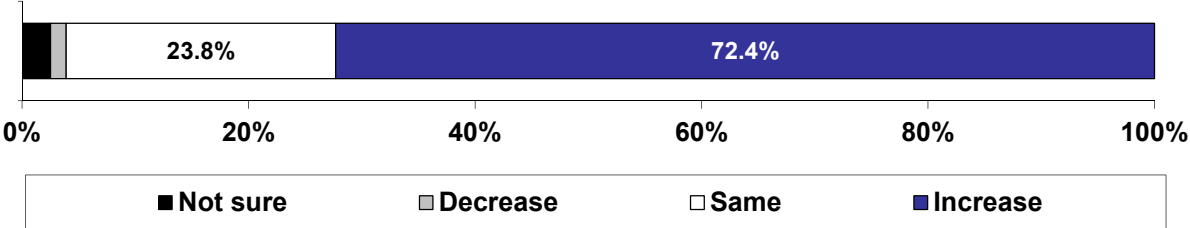
Law Firms in Transition: 2015 Trends

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



Law Firms in Transition: The Pace of Change

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



Pace of change

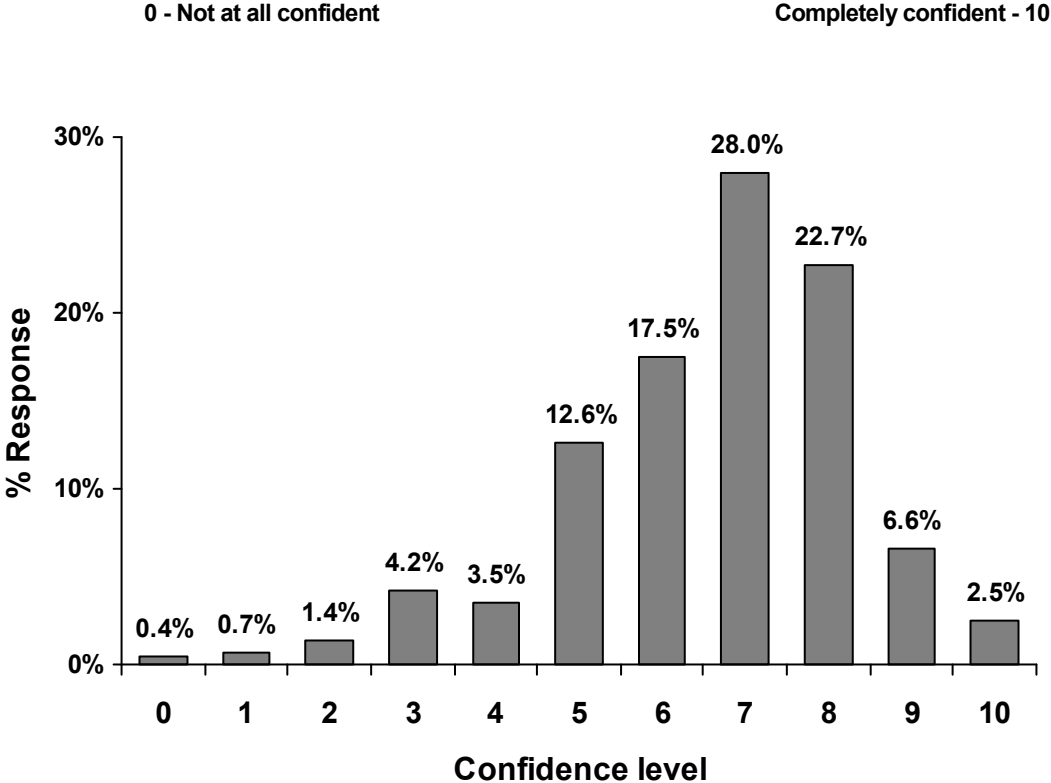
Comparison by year:

	NOT SURE	DECREASE	SAME	INCREASE
2015	2.5%	1.4%	23.8%	72.4%
2014	2.1%	1.4%	29.9%	66.7%
2013	0.0%	0.9%	32.4%	66.7%
2012	2.4%	1.4%	36.1%	60.1%

More law firm leaders say the pace of change in the profession is increasing.

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?

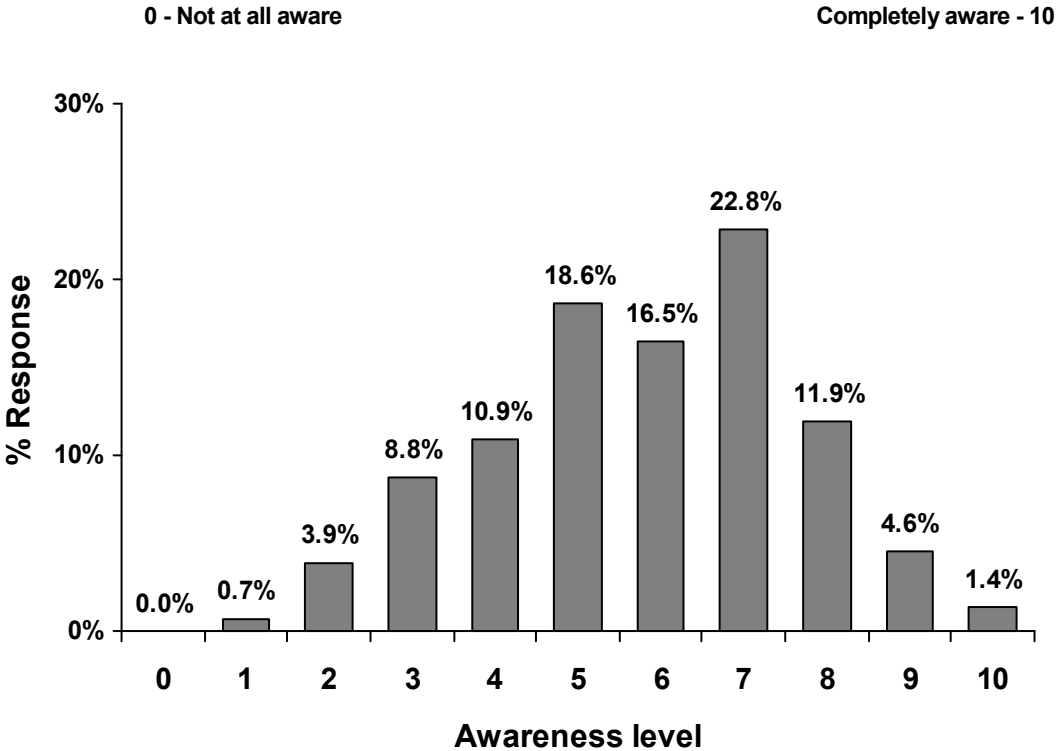


CONFIDENCE	LOW					MODERATE			HIGH		
	0	1	2	3	4	5	6	7	8	9	10
RATING											
RESPONSE	22.8%					68.2%			9.1%		

Median rating: 7

Law Firms in Transition: Awareness

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

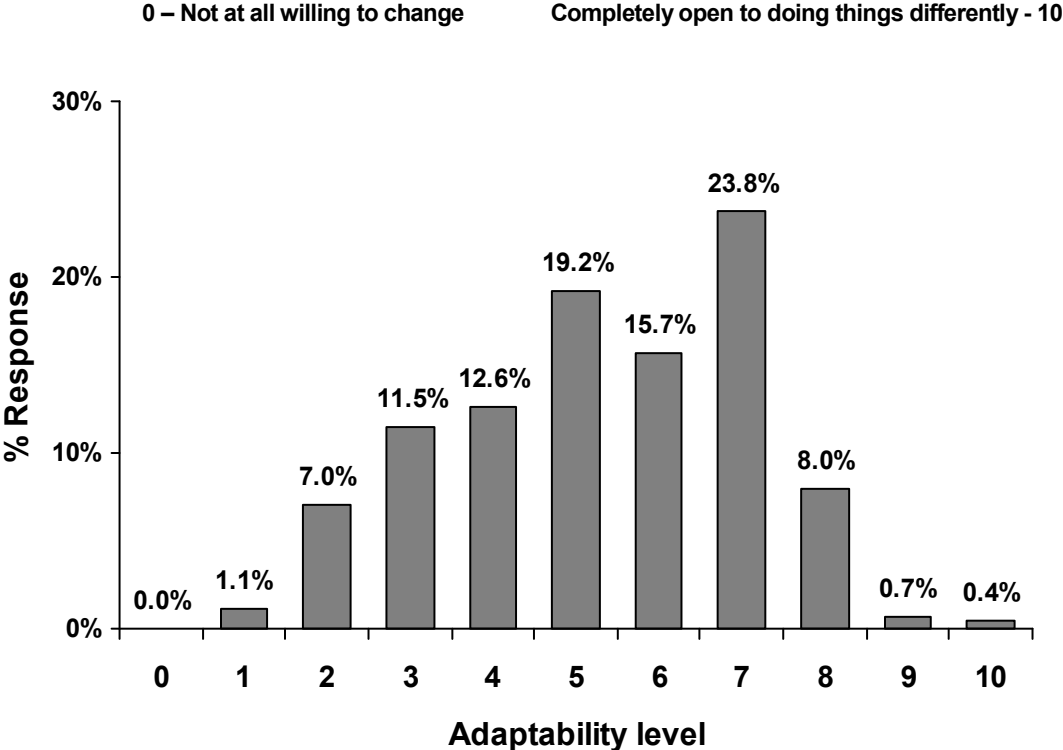


AWARENESS	LOW					MODERATE			HIGH		
	0	1	2	3	4	5	6	7	8	9	10
RATING											
RESPONSE	42.9%					51.2%			6.0%		

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?

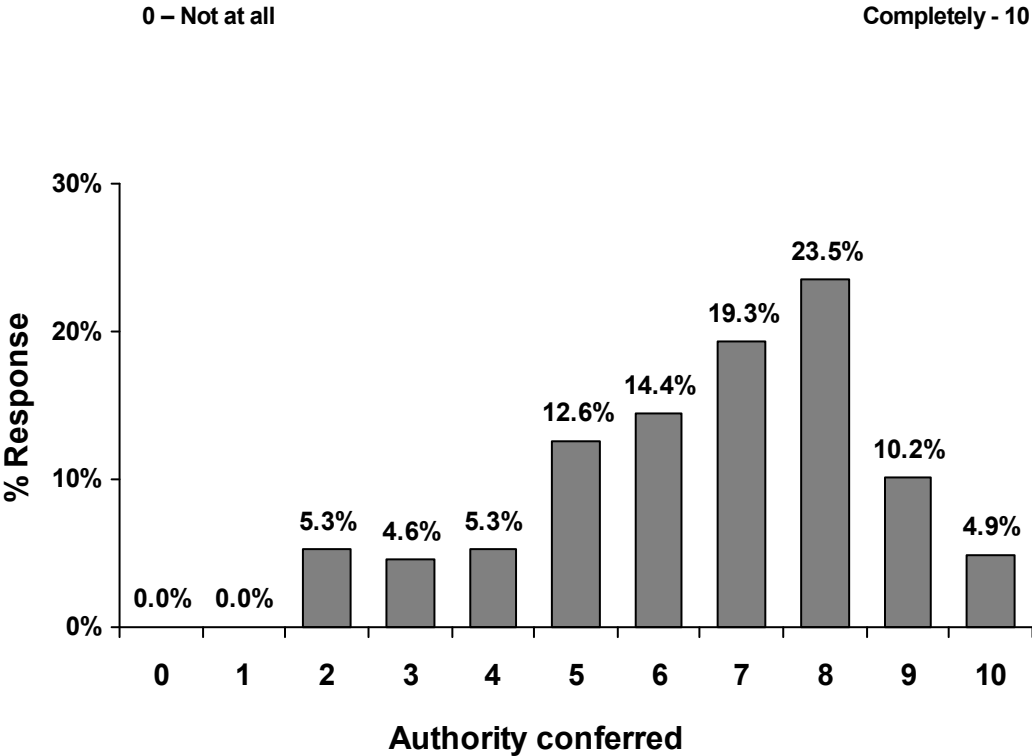


ADAPTABILITY	LOW					MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9
RESPONSE	51.4%					47.5%			1.1%	

Median rating: 5

Law Firms in Transition: Leaders' Authority

Q: To what extent is decision-making authority conferred by your partners to firm leadership to undertake change efforts?



AUTHORITY	LOW					MODERATE			HIGH	
	0	1	2	3	4	5	6	7	8	9
RESPONSE	27.8%					57.2%			15.1%	

Median rating: 7

Law Firms in Transition: Change Preparedness

Comparison of firm leader confidence by year:

	LOW	MODERATE	HIGH
2015	22.8%	68.2%	9.1%
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 has dropped significantly in recognition of the scope and difficulty of the challenges law firms face.

Comparison of 2015 change preparedness factors in the legal profession:

	LOW	MODERATE	HIGH
Confidence of firm leader	22.8%	68.2%	9.1%
Awareness of partners	42.9%	51.2%	6.0%
Adaptability of partners	51.4%	47.5%	1.1%
Leadership authority	27.8%	57.2%	15.1%

Helping partners understand why change is needed and overcoming their natural resistance to change are two critical leadership imperatives.

Authority to Undertake Change Efforts: Financial Impact

Does conferring a high degree of decision-making authority on firm leaders to undertake change efforts affect a law firm's financial performance?

We compared the change in Gross Revenue, Revenue per Lawyer (RPL) and Profits per Equity Partner (PPEP) from 2013 to 2014 as reported by those firms that assessed leaders' authority level as high (from 8 to 10 on a 0-10 scale) versus those firms that assessed leadership authority as low (from 0 to 5 on a 0-10 scale).

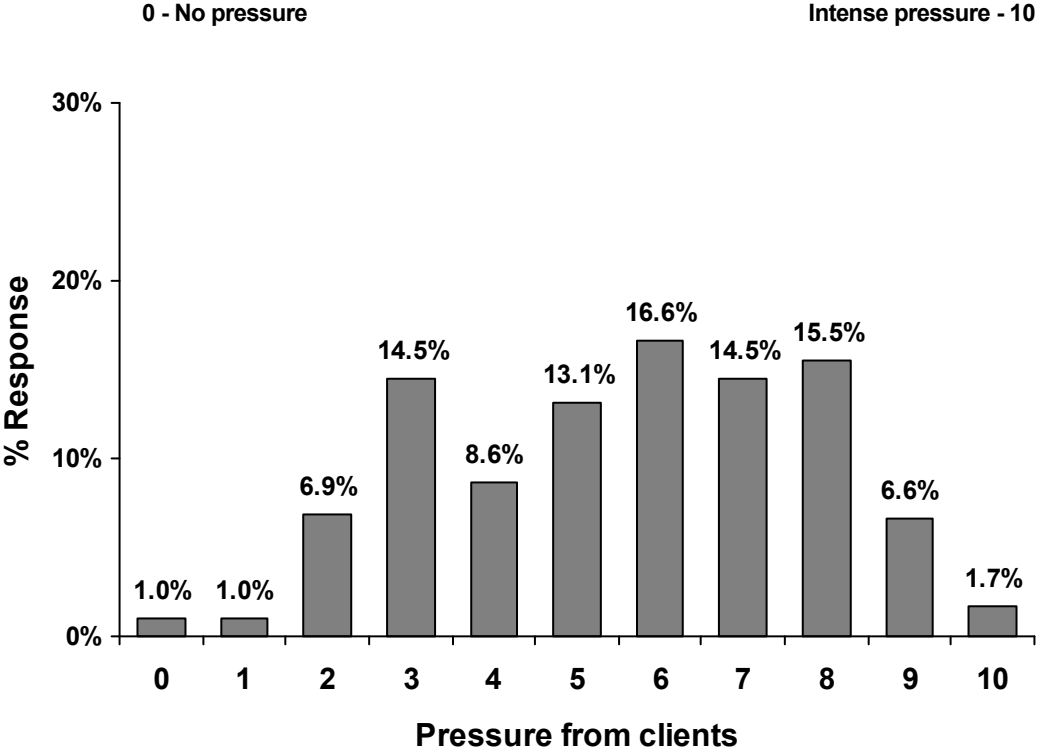
Gross Revenue	Gross down	No change	Gross up
High level of decision-making authority	19.6%	6.5%	73.8%
Low level of decision-making authority	24.1%	11.4%	64.6%

Revenue Per Lawyer	RPL down	No change	RPL up
High level of decision-making authority	8.7%	15.5%	75.7%
Low level of decision-making authority	21.8%	16.7%	61.5%

Profits Per Equity Partner	PPEP down	No change	PPEP up
High level of decision-making authority	14.6%	11.7%	73.8%
Low level of decision-making authority	28.2%	9.0%	62.8%

Law Firms in Transition: Client Pressure

Q: In your opinion, in 2015 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)?



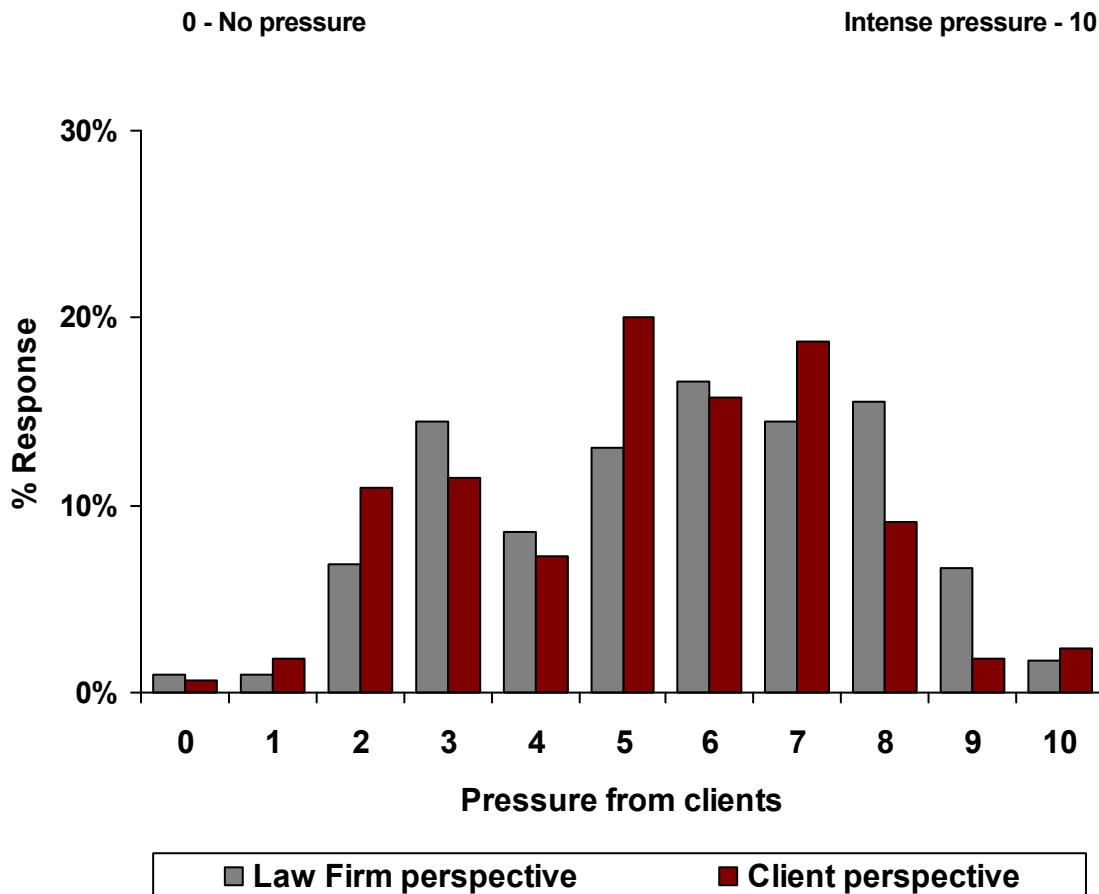
PRESSURE	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	45.1%					46.6%			8.3%		

Median	Average
6	5.6

BONUS: The Client Perspective

In October 2014, we asked the same question of Chief Legal Officers. Following, in red, are their responses set against responses from law firm leaders in this survey:

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)?



Average rating by year:

	2013	2014	2015
Law firm perspective	5.5	5.5	5.6
Client perspective	5.5	5.4	5.3

Law Firms in Transition: Efforts to Understand Clients

Q: Which of the following activities is your firm proactively initiating to better understand what individual clients want? Select all that apply.



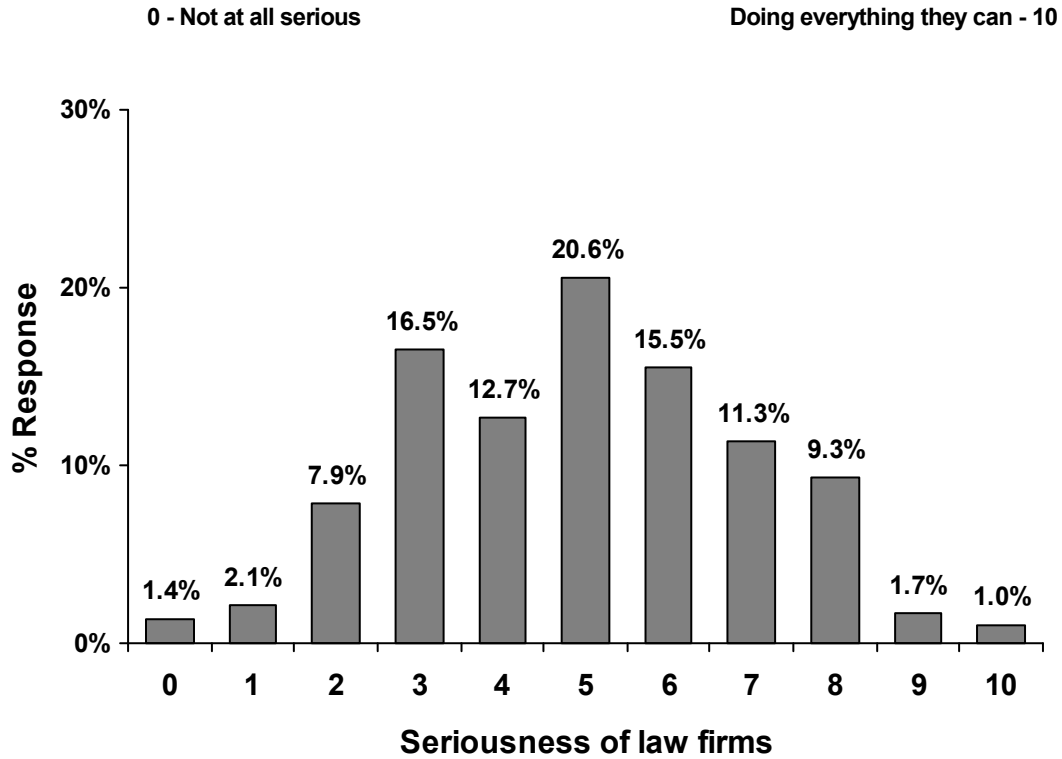
Efforts to understand clients

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Conversations about pricing / budgets	81.8%	92.1%
Participation in client industry groups and events	73.4%	77.6%
Conversations about project staffing	65.0%	76.3%
Management visits to key clients	54.2%	90.8%
Conversations about matter management efficiency	54.7%	73.7%
Formal client interview program	37.9%	77.6%
Industry research & issue spotting (at firm expense)	39.4%	44.7%
Legal issue spotting/preventative law (at firm expense)	32.0%	31.6%
Formal client survey program	23.6%	47.4%
Post-matter reviews	19.2%	36.8%

Law Firms in Transition: Seriousness of Change Efforts

Q: In your opinion, in 2015 how serious are law firms about changing their legal service delivery model to provide greater value to clients (as opposed to simply reducing rates)?



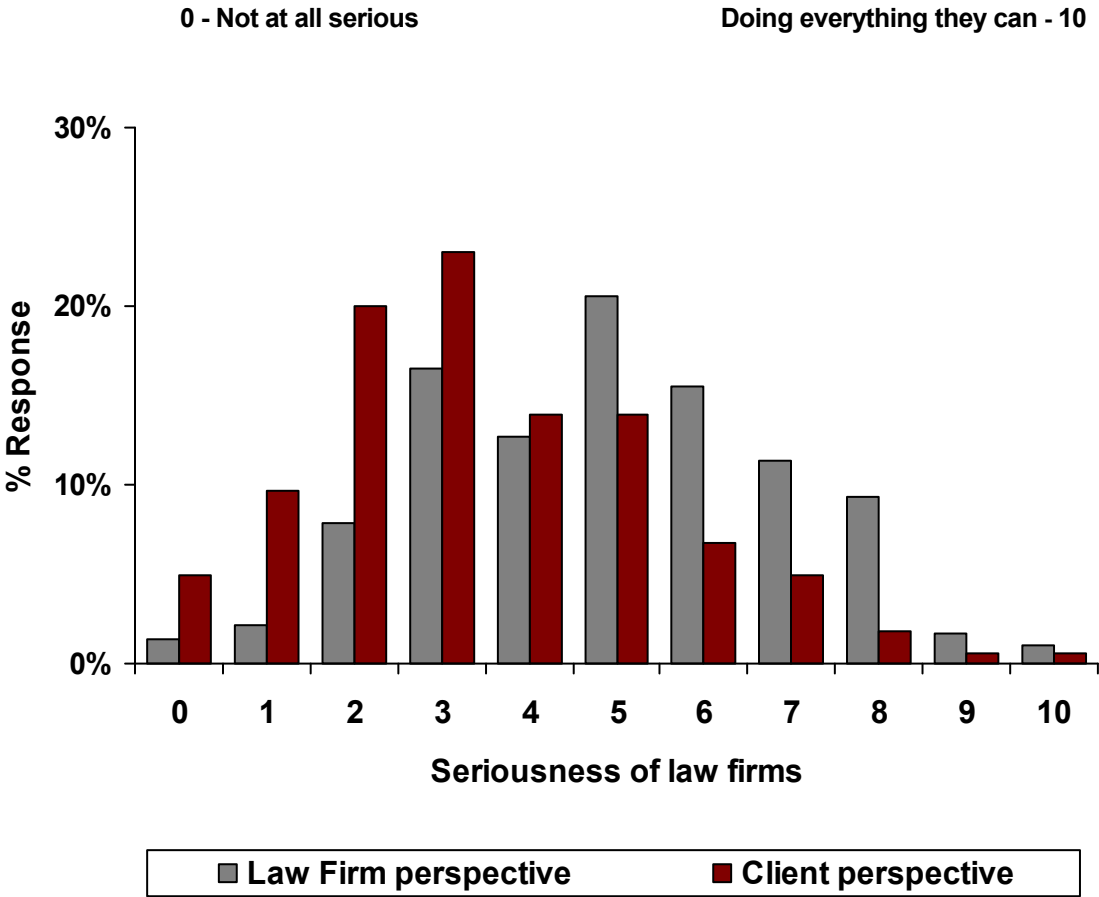
SERIOUSNESS	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	61.2%					36.1%			2.7%		

Median	Average
5	4.9

BONUS: The Client Perspective

In October 2014, we asked the same question of Chief Legal Officers. Following, in red, are their responses set against responses from law firm leaders in this survey:

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)?

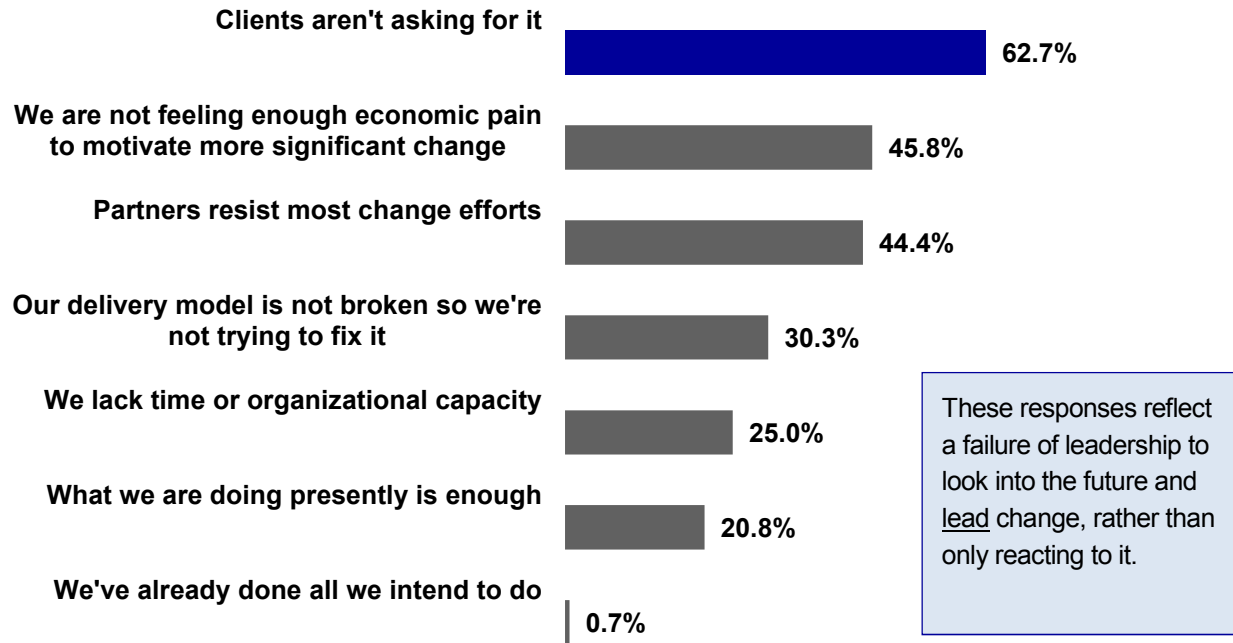


Average rating by year:

	2013	2014	2015
Law firm perspective	5.0	4.9	4.9
Client perspective	3.8	3.6	3.4

Law Firms in Transition: Why Firms Aren't Doing More

Q: Why isn't your firm doing more to change the way it delivers legal services?
 Select all that apply.



These responses reflect a failure of leadership to look into the future and lead change, rather than only reacting to it.

Why not do more to change?

Top response: Comparison by firm size

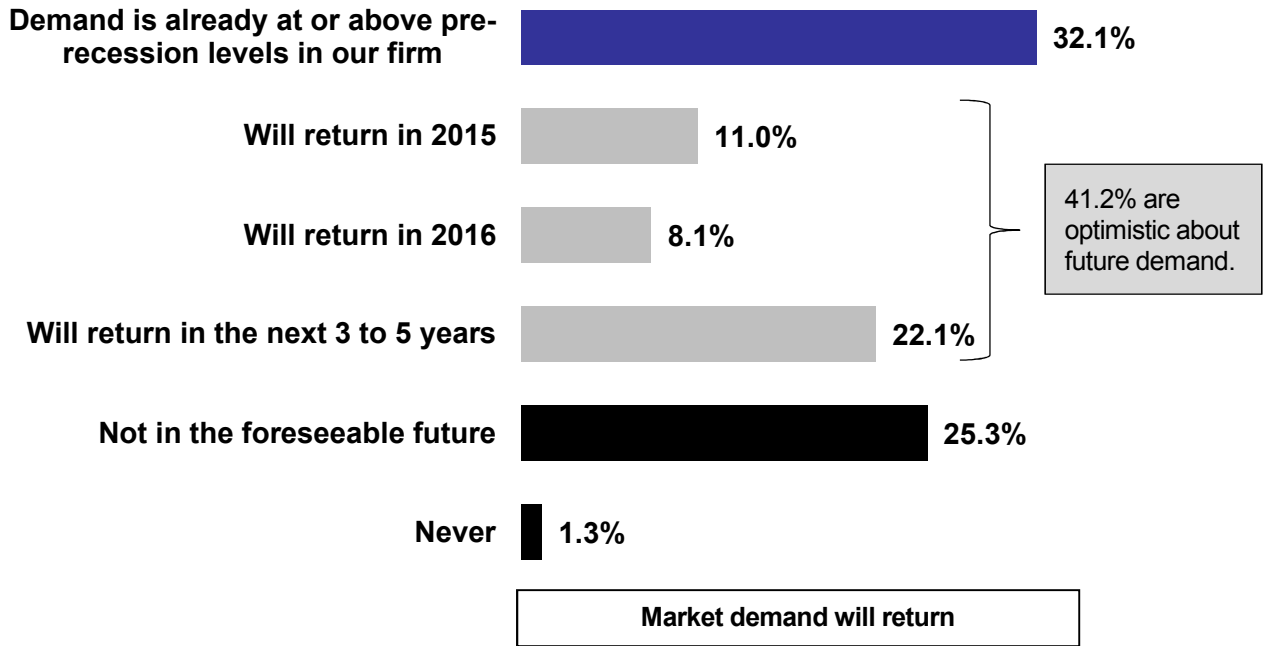
	Clients aren't asking for more change
50-99 lawyers	61.9%
100-249 lawyers	70.1%
250-499 lawyers	65.6%
500-999 lawyers	46.9%
1,000+ lawyers	25.0%

Market Forces

LAW FIRMS IN TRANSITION 2015

Market Forces: Demand

Q: Do you expect market demand for your law firm’s services to return to pre-recession levels?

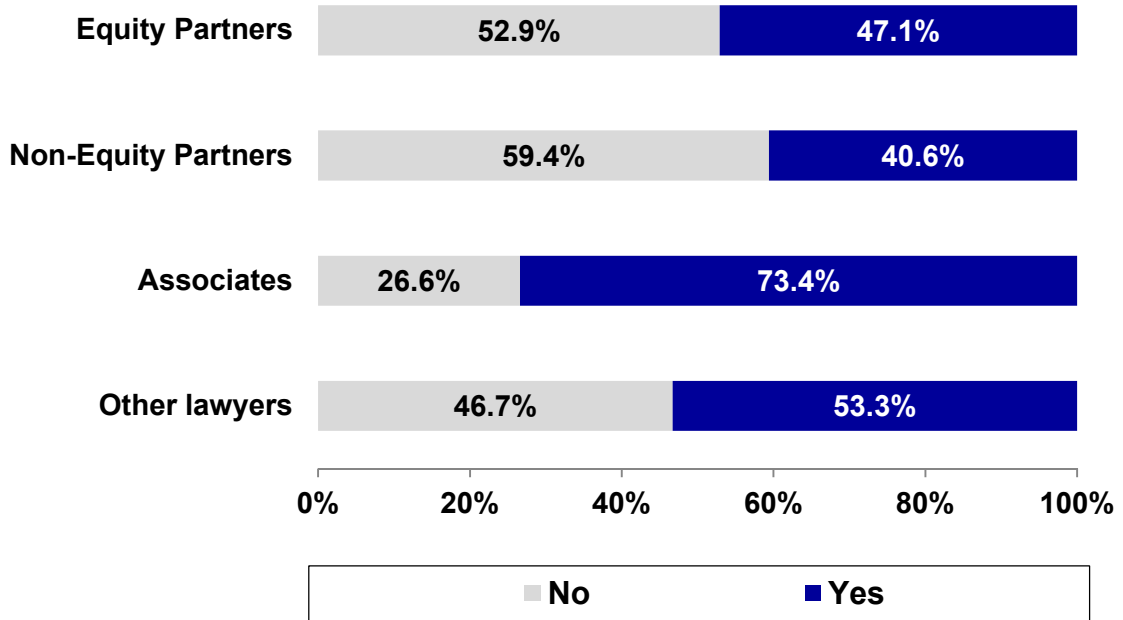


Comparison by firm size:

	Already back	In 2015	In 2016	In 3-5 years	Not in foreseeable future	Never
Under 250 lawyers	33.9%	12.3%	8.8%	21.6%	22.5%	0.9%
250 lawyers or more	27.2%	7.4%	6.2%	23.5%	33.3%	2.5%

Market Forces: Demand & Capacity

Q: Are each of the following lawyer classes in your firm sufficiently busy?

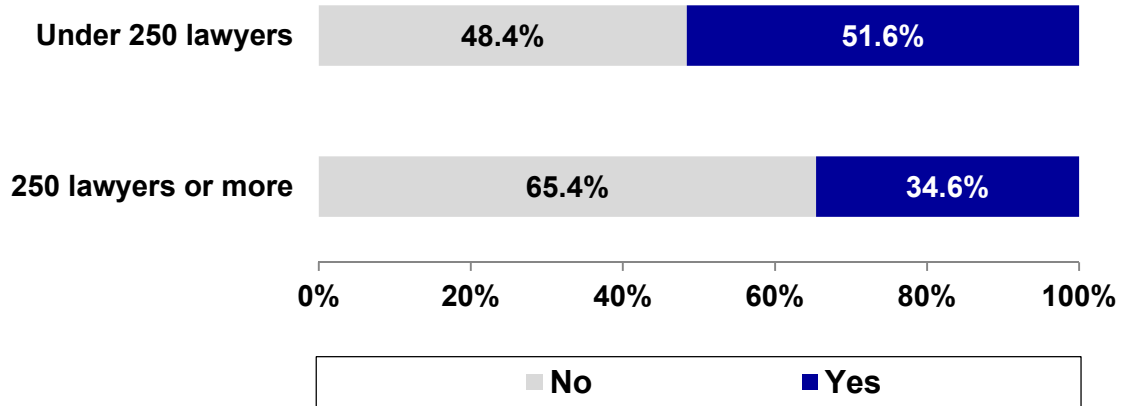


Equity and Non-Equity Partners are not busy enough in a majority of law firms.

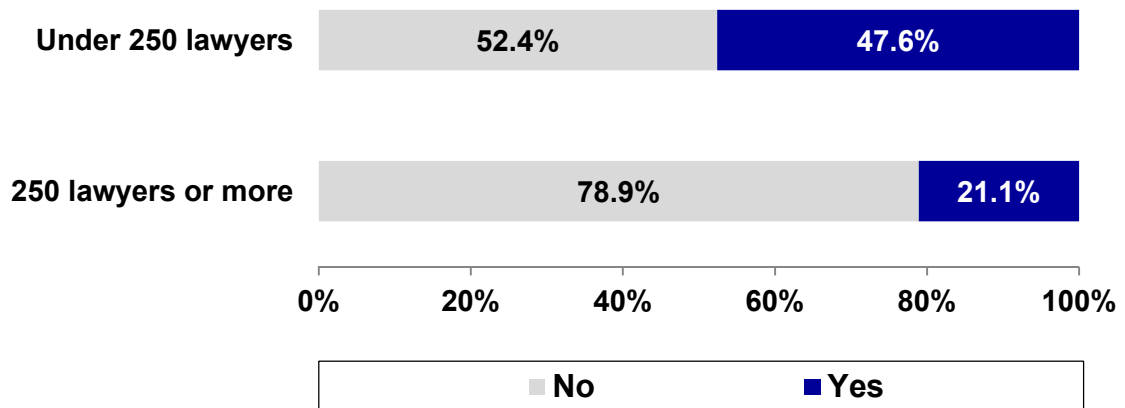
Market Forces: Demand & Capacity

Q: Are each of the following lawyer classes in your firm sufficiently busy?

EQUITY PARTNERS – BY FIRM SIZE



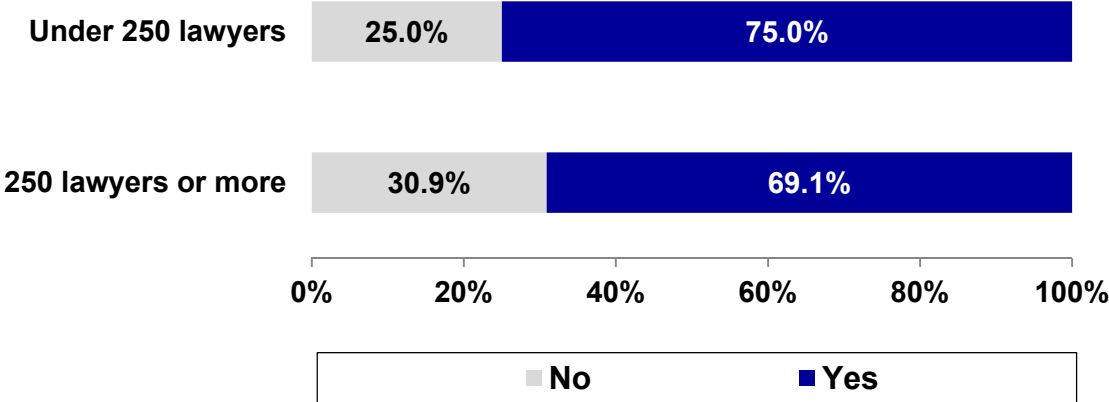
NON-EQUITY PARTNERS – BY FIRM SIZE



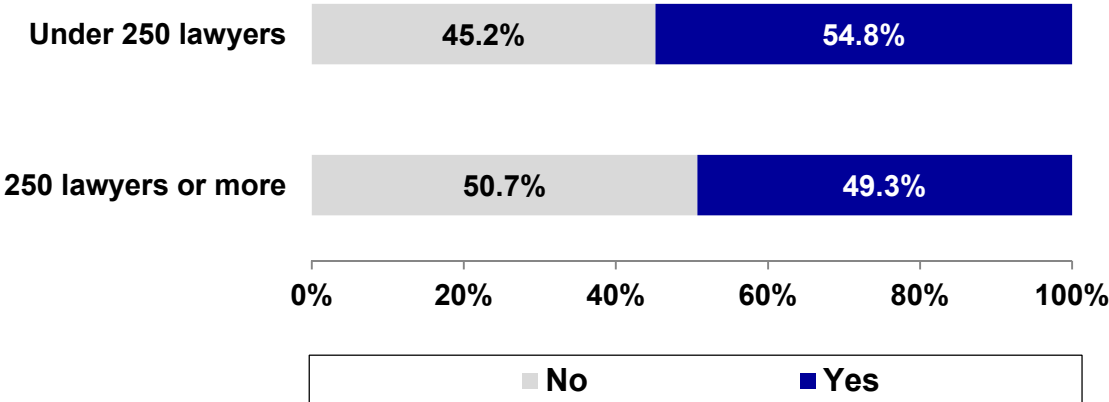
Market Forces: Demand & Capacity

Q: Are each of the following lawyer classes in your firm sufficiently busy?

ASSOCIATES – BY FIRM SIZE

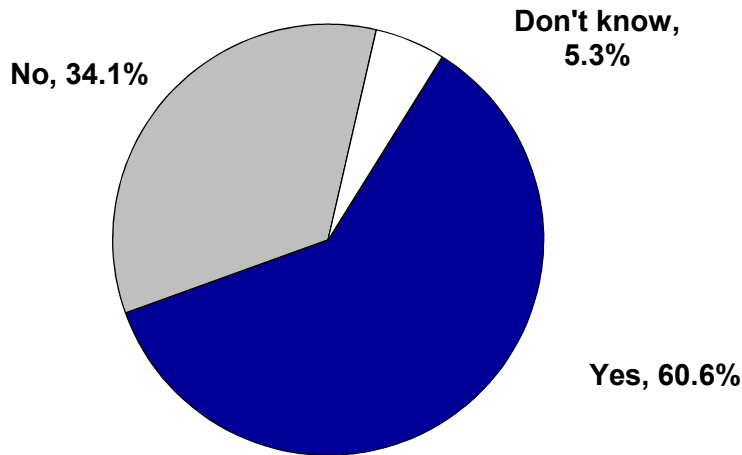


OTHER LAWYERS – BY FIRM SIZE



Market Forces: Overcapacity and Profitability

Q: Is overcapacity diluting your firm's overall profitability?



The issue of overcapacity is placing an unnecessary burden on the financial health of law firms that may not have cut deeply enough or thought they could ride out the downturn. There is still much to do here, especially in larger firms.

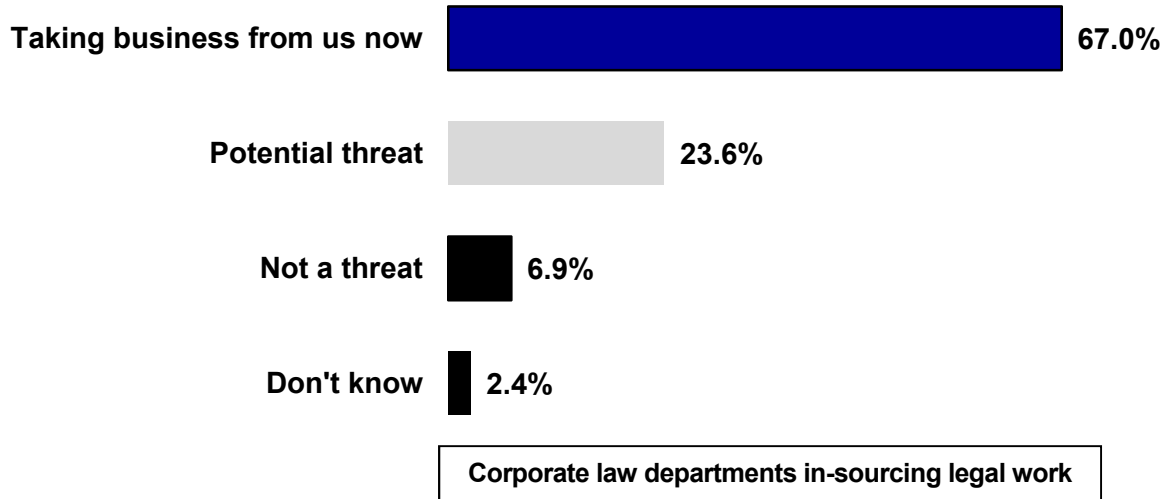
Comparison by firm size:

	Yes	No	Don't know
Under 250 lawyers	55.7%	38.5%	5.9%
250 lawyers or more	74.1%	22.2%	3.7%

Market Forces: Competition from Non-Traditional Sources

Q: Aside from your traditional law firm competitors, is your firm losing any business to non-traditional providers of legal services?

CORPORATE LAW DEPARTMENTS IN-SOURCING MORE LEGAL WORK



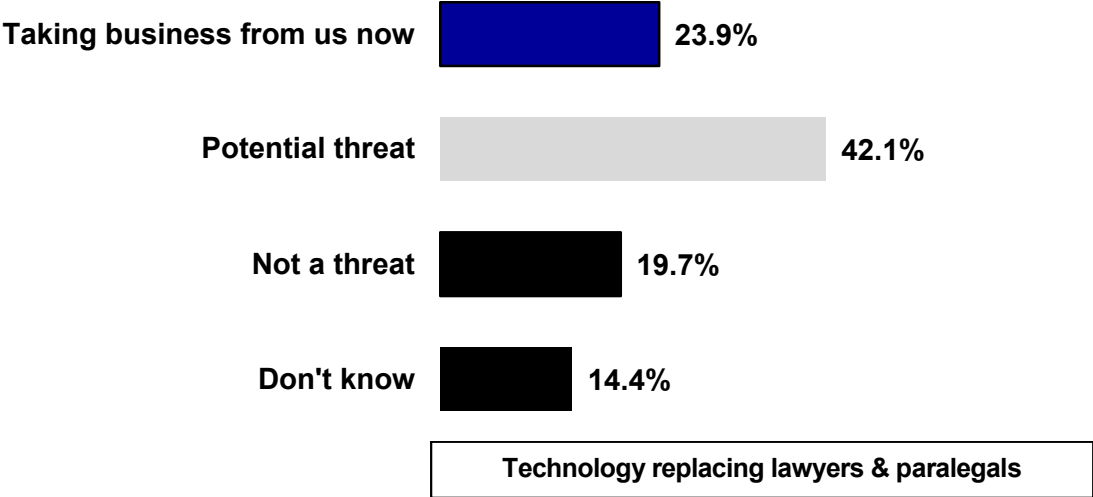
Comparison by firm size:

	Taking work from us now	Potential threat	Not a threat	Don't know
Under 250 lawyers	63.8%	25.4%	8.5%	2.3%
250 lawyers or more	76.0%	18.7%	2.7%	2.7%

Market Forces: Competition from Non-Traditional Sources

Q: Aside from your traditional law firm competitors, is your firm losing any business to non-traditional providers of legal services?

CLIENT USE OF TECHNOLOGY TOOLS THAT REDUCE THE NEED FOR LAWYERS & PARALEGALS



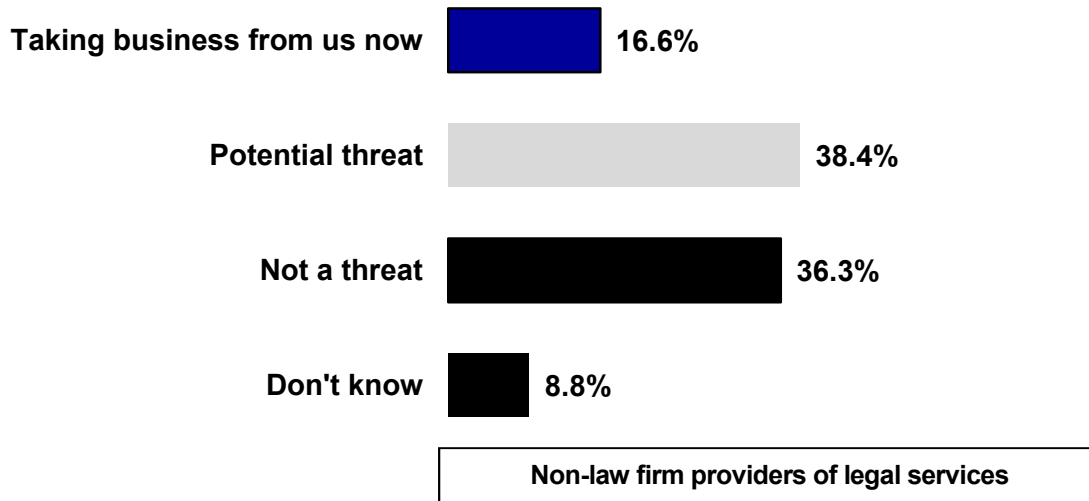
Comparison by firm size:

	Taking work from us now	Potential threat	Not a threat	Don't know
Under 250 lawyers	21.0%	42.4%	23.8%	12.9%
250 lawyers or more	32.0%	41.3%	8.0%	18.7%

Market Forces: Competition from Non-Traditional Sources

Q: Aside from your traditional law firm competitors, is your firm losing any business to non-traditional providers of legal services?

NON-LAW-FIRM PROVIDERS OF LEGAL / QUASI-LEGAL SERVICES



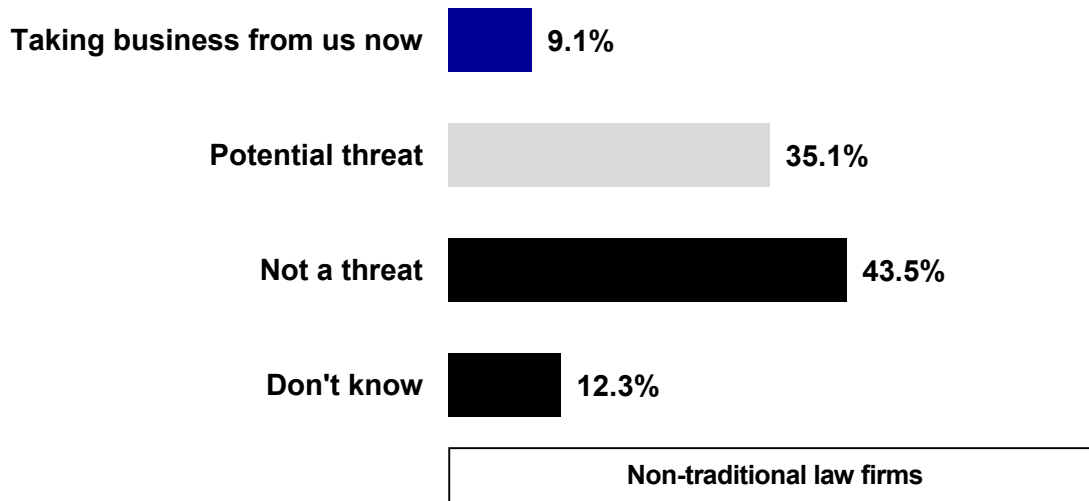
Comparison by firm size:

	Taking work from us now	Potential threat	Not a threat	Don't know
Under 250 lawyers	14.8%	35.4%	40.2%	9.6%
250 lawyers or more	21.3%	46.7%	25.3%	6.7%

Market Forces: Competition from Non-Traditional Sources

Q: Aside from your traditional law firm competitors, is your firm losing any business to non-traditional providers of legal services?

NON-TRADITIONAL LAW FIRMS

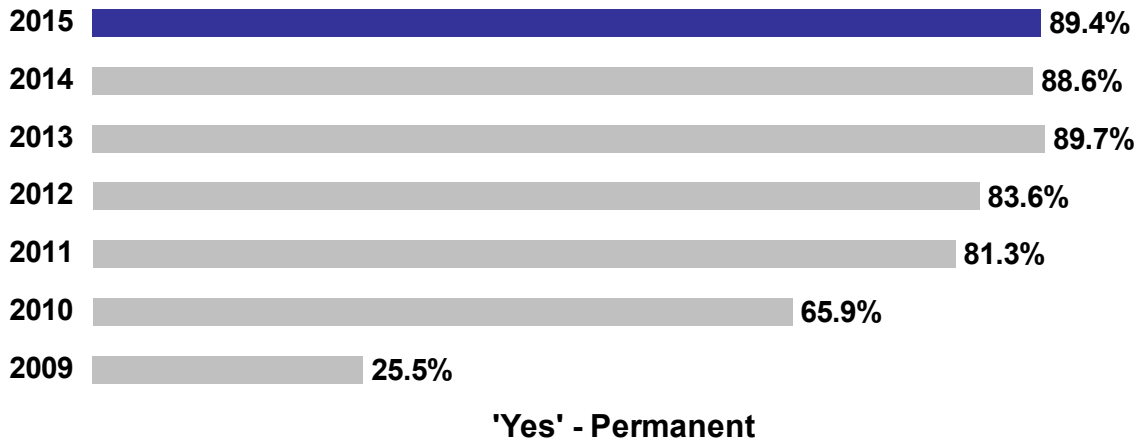


Comparison by firm size:

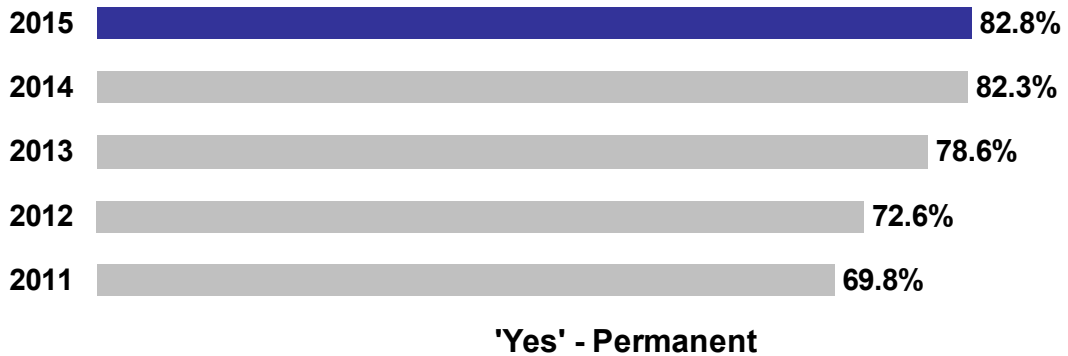
	Taking work from us now	Potential threat	Not a threat	Don't know
Under 250 lawyers	7.6%	31.4%	48.6%	12.4%
250 lawyers or more	13.3%	45.3%	29.3%	12.0%

Market Forces: Trends

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



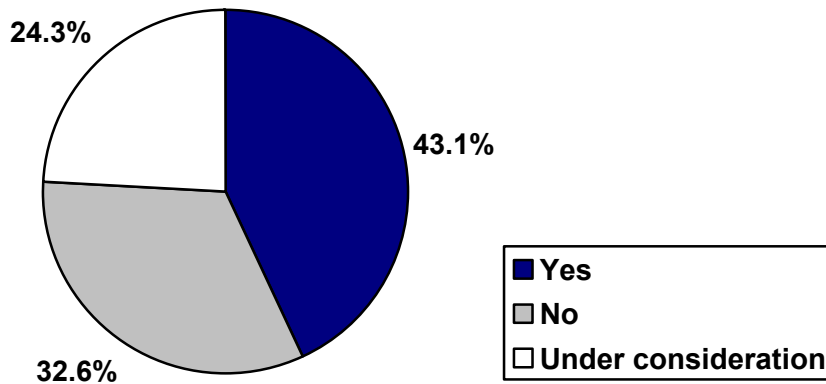
Q: Do you think competition from non-traditional (including non-lawyer) service providers will be a permanent trend going forward?



Lawyer Staffing Strategies
LAW FIRMS IN TRANSITION 2015

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	36.3%	37.7%	25.9%
250 lawyers or more	61.8%	18.4%	19.7%

Larger firms have been more aggressive about rethinking their lawyer staffing strategies.

Lawyer Staffing Strategy: Financial Impact

Does pursuing strategic change in lawyer staffing strategy affect a law firm's financial performance?

We compared the change in Gross Revenue, Revenue per Lawyer (RPL) and Profits per Equity Partner (PPEP) from 2013 to 2014 as reported by those firms that said they are pursuing strategic change versus those firms that said they are not.

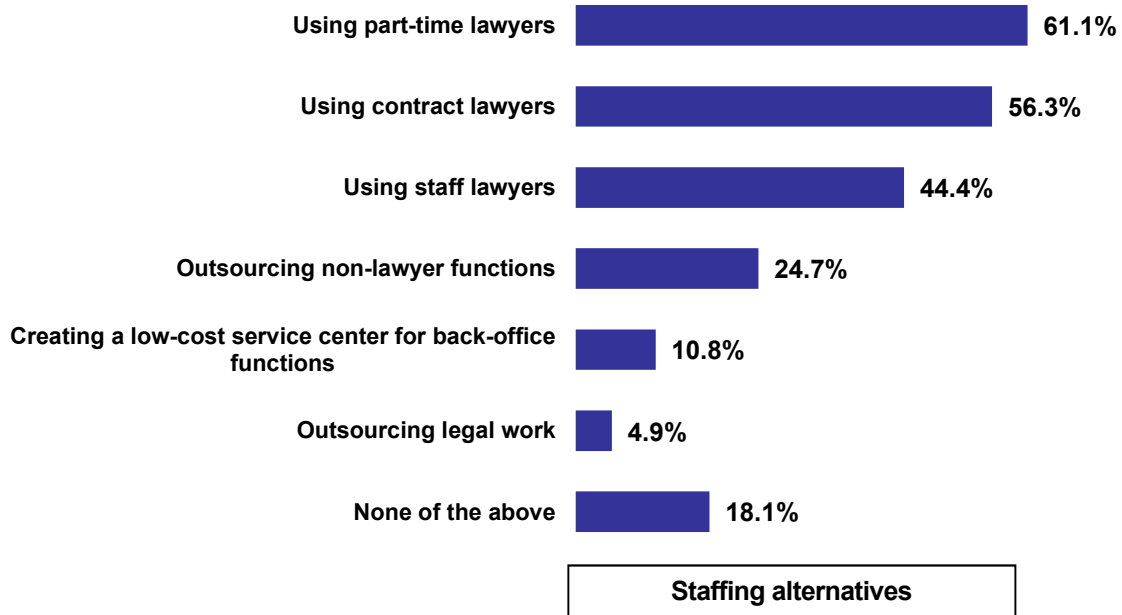
Gross Revenue	Down	No change	Up
YES: Changed strategic approach	18.5%	8.4%	73.1%
NO: Have not changed approach	24.2%	9.9%	65.9%

Revenue Per Lawyer	Down	No change	Up
YES: Changed strategic approach	11.1%	12.0%	76.9%
NO: Have not changed approach	23.3%	16.7%	60.0%

Profits Per Equity Partner	Down	No change	Up
YES: Changed strategic approach	15.4%	7.7%	76.9%
NO: Have not changed approach	31.1%	13.3%	55.6%

Alternative Staffing Strategies

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

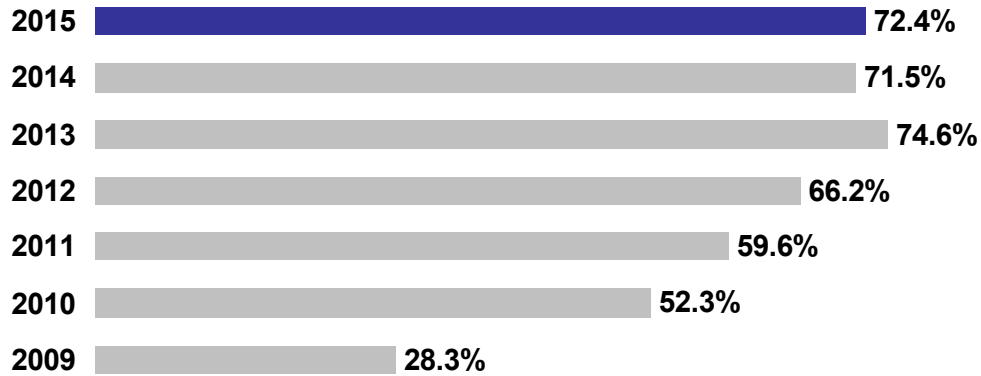


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using part-time lawyers	54.7%	78.9%
Using contract lawyers	48.6%	77.6%
Using staff lawyers	33.5%	75.0%
Outsourcing non-lawyer functions	20.8%	35.5%
Creating a low-cost service center for back office	6.1%	23.7%
Outsourcing legal work	3.3%	9.2%
None of the above	23.1%	3.9%

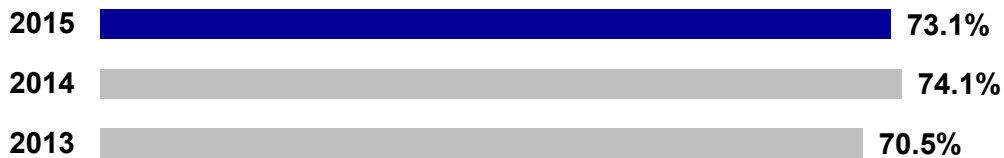
Lawyer Staffing: Trends

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



'Yes' - Permanent

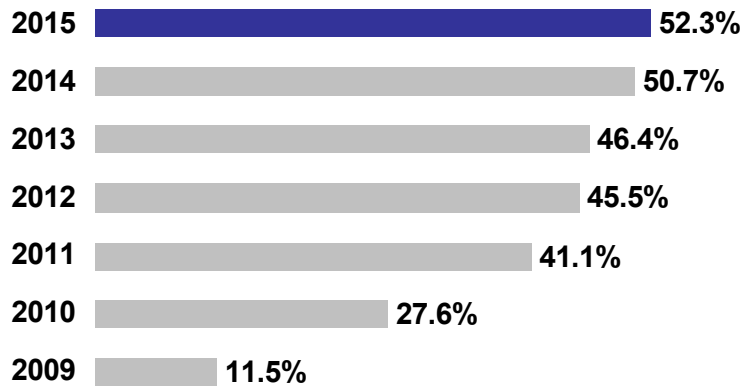
Q: Do you think more part-time lawyers will be a permanent trend going forward?



'Yes' - Permanent

Lawyer Staffing: Trends

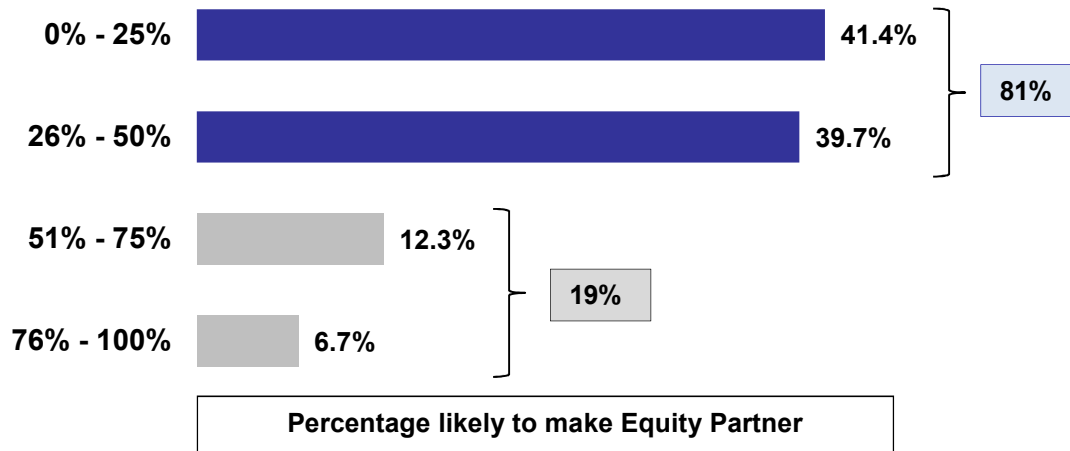
Q: Do you think outsourcing legal work will be a permanent trend going forward?



'Yes' - Permanent

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?



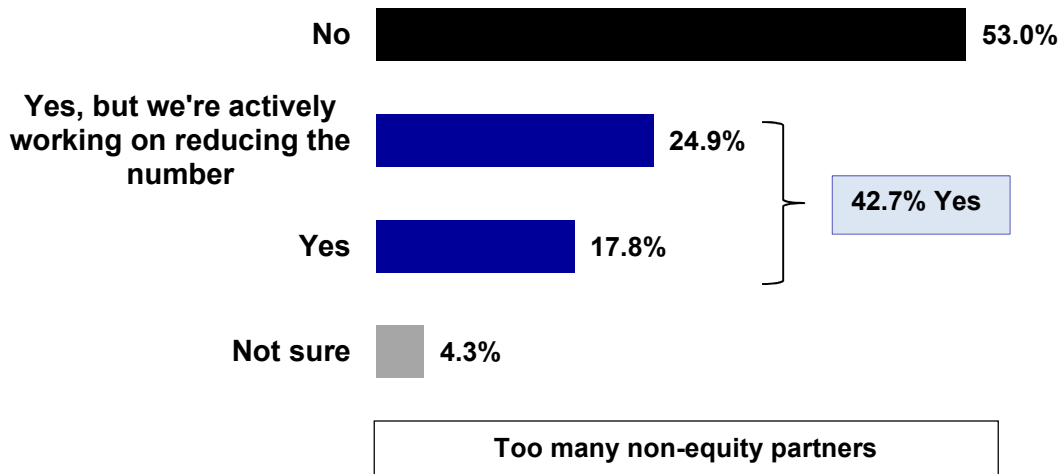
Comparison by year:

	2014	2015
No more than half will make Equity Partner	69.0%	81.1%
Over half will make Equity Partner	31.0%	19.0%

These numbers are a striking illustration of the misuse of the non-equity tier. Firms need to manage entry into and transition out of the tier so it does not become a warehouse for underproductive lawyers, or create a group of 'blockers' to up and coming lawyers.

Partner Strategy: Non-Equity Partners

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



Comparison by firm size:

	No	Yes, but working on it	Yes	Not sure
Under 250 lawyers	61.5%	20.2%	13.9%	4.3%
250 lawyers or more	28.8%	38.4%	28.8%	4.1%

Partner Strategy: Non-Equity Partners

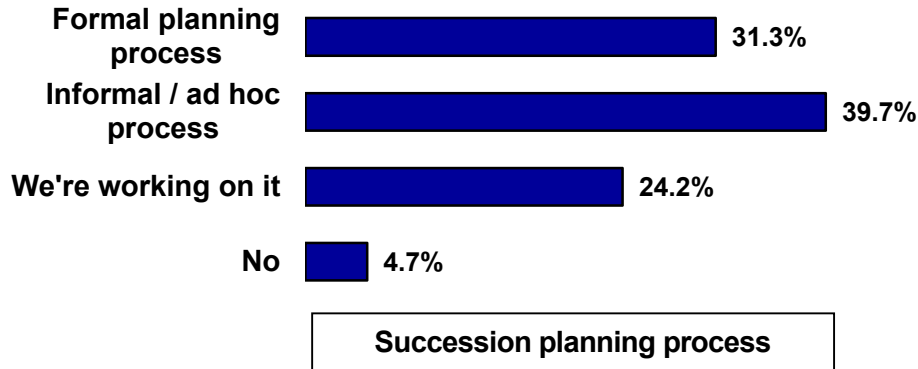
Q: In your opinion, does your firm currently have too many non-equity partners?

Sample Comments

- While there is a place for non-equity partners, as a group they represent talented individuals that are probably still priced too high for the market and are paid too much by the law firm. By definition, they are not business producers which limits the number of them that we need.
- We have a small core of non-equity partners with fixed compensation and we're working with them to increase productivity through business development initiatives. We've moved other non-equity partners with productivity issues but needed expertise to variable compensation arrangements.
- We moved 5 senior equity shareholders to senior counsel and 6 lower tiered equity to salary just last week. Your question about demand is challenging. We have continued to grow and overall demand for us has grown 5% each of last 2 years. However, maintaining ideal level of productivity is the challenge which seems elusive.
- We currently have non-equity partners who are unlikely to advance. They stay in this status because we do not have any place else where they readily fit.
- Only way to retain qualified attorneys who have not / cannot develop or manage a full book of business.
- We are actively evaluating non-equity vs. Sr. Counsel (employed) classifications.
- We don't have non-equity partners, except for a few older attorneys cutting back toward retirement and one who wants a restricted work schedule.
- Laterals are added as non-equity partners which for the short term dilutes productivity of that class.
- We use the category also as a transition out of the EP.
- It has been a functional and productive role for us.

Partner Succession: Planning

Q: Does your firm have a succession planning process for lawyers approaching retirement?



Comparison by firm size:

	Under 250 lawyers	250 or more lawyers
Formal process	26.5%	44.9%
Informal process	42.5%	32.1%
Working on it	26.5%	17.9%
No	4.6%	5.1%

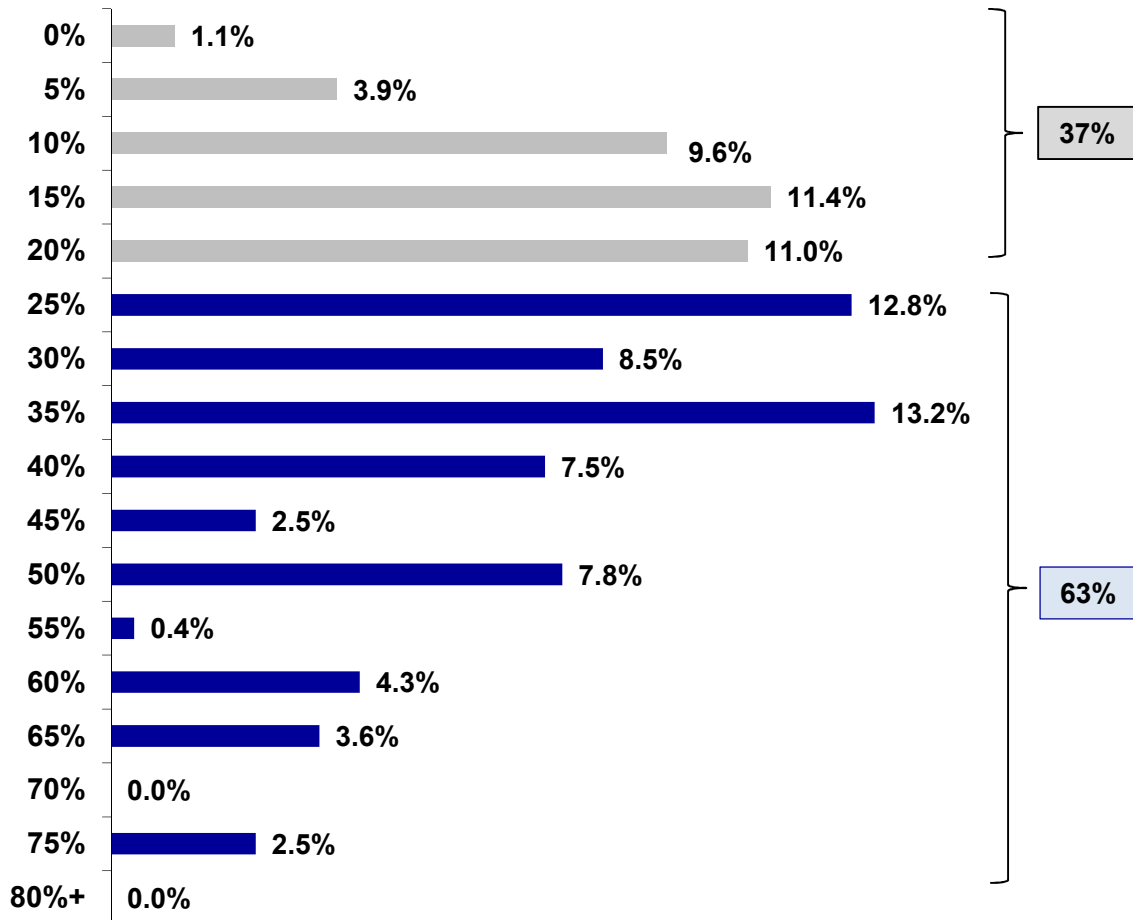
Comparison by year:

	2013	2015
Formal process	26.9%	31.3%
Informal process	48.9%	39.7%
Working on it	18.4%	24.2%
No	5.8%	4.7%

We asked the same question in the 2013 Survey. The progress firms have made in two years does not show the level of seriousness that is needed to address this huge problem in the profession.

Partner Succession: Economics

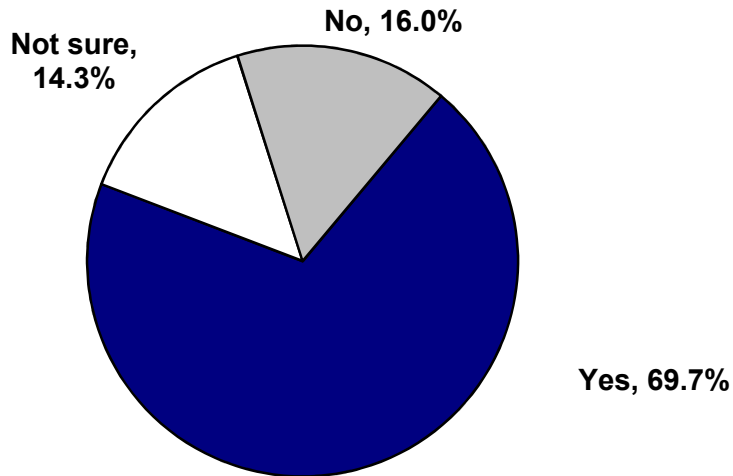
Q: Please provide a rough estimate of the percentage of your firm's revenue that is controlled by partners age 60 or older.



Percentage of firm revenue controlled by partners age 60 or older

Partner Succession: Leadership

Q: If your firm had to name a new Managing Partner/President/CEO immediately, is there one or more qualified candidates available who could take on the role?



Comparison by firm size:

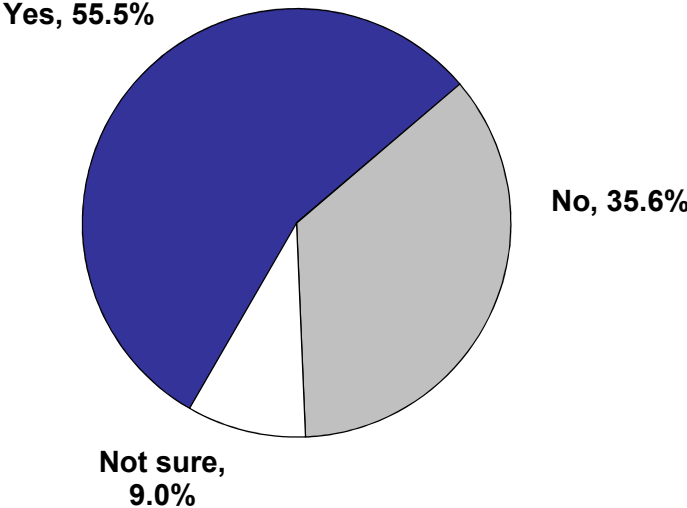
	Yes	No	Not Sure
50-99 lawyers	65.1%	19.3%	15.6%
100-249 lawyers	65.5%	17.7%	16.8%
250-499 lawyers	78.4%	13.5%	8.1%
500-999 lawyers	81.3%	6.3%	12.5%
1,000+ lawyers	100.0%	0.0%	0.0%

Law Firm Growth

LAW FIRMS IN TRANSITION 2015

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 firm size:

	Yes	No	Not Sure
Under 250 lawyers	51.5%	38.4%	10.0%
250 lawyers or more	66.3%	27.7%	6.0%

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, with the intent to grow revenue by adding depth & breadth in profitable practice areas.
- We see some geographic growth as important to our continued success. We do not see growth in the abstract as important.
- Diversification of revenue sources and clients, not just adding numbers or hours
- Because we need to acquire attorneys who specialize in areas in which we do not currently have expertise
- We need to add some depth in a number of practice areas to build on strengths and intend to do that strategically to expand geographically where that makes sense (i.e. to build on a strength not to simply put a new pin on the map). We do not think growth is necessary for growth's sake.
- At our current size, our overhead is too high. We should grow to maximize our admin capability.
- Important to bring in young lawyers and grow them to be partners.
- But not partner-track lawyers. More likely staff and contract lawyers
- In order to assist with succession planning
- In the longer term, YES. Short term, we balance to improve productivity.
- Necessary to not stagnate as a firm, which then leads to decline
- Yes-unless rates are substantially increased over the same period, otherwise your profitability decreases every year.
- Not growth for growth's sake though - must be strategic

Sample Comments – Not Sure

- It is not essential, but usually comes along with building overall strength.
- Growth is not a requirement for success in that we can be economically successful without growth. But it makes things a lot easier economically and contributes to success in many other ways, including firm culture, and associate and partner morale.
- We operate in a growing market for legal services, and accordingly anticipate growth and growth opportunities. We do not equate growth with success, or pursue growth for growth's sake, but at the present time we see opportunity and intend to pursue it.

Law Firm Growth Imperative

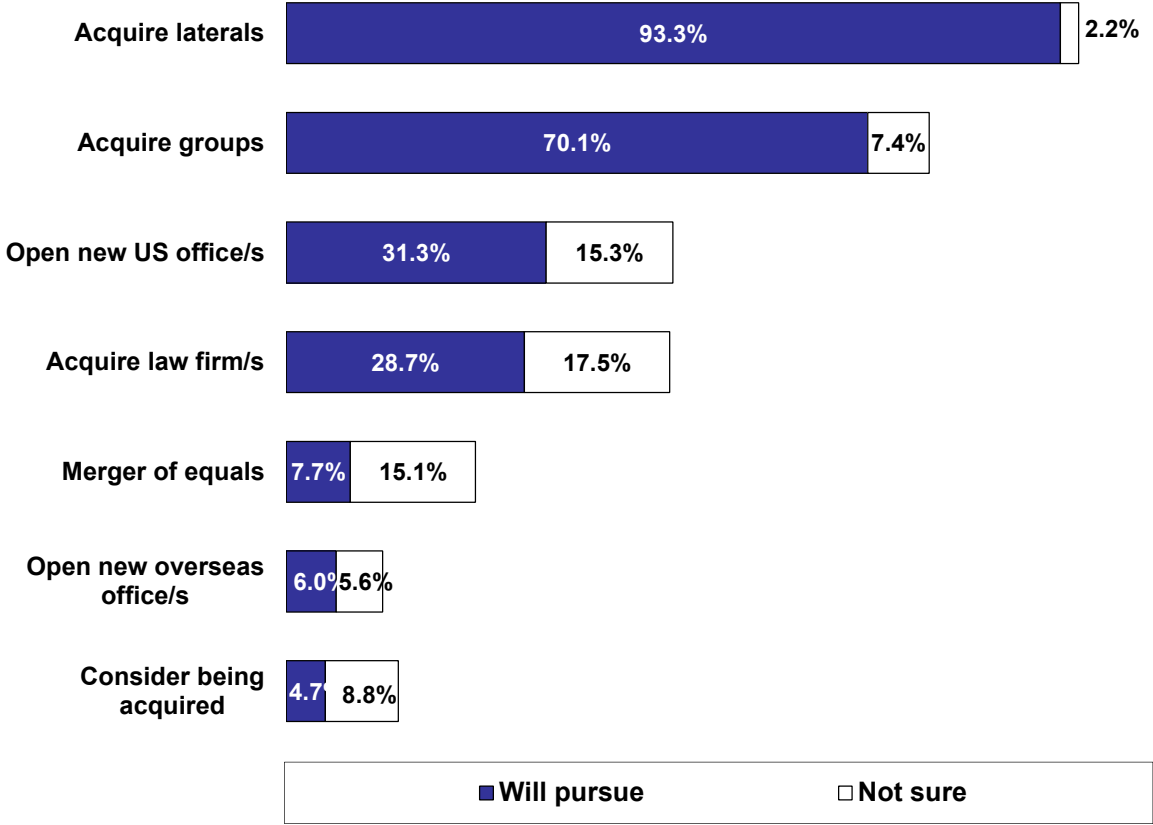
Q: Do you believe growth (in terms of lawyer headcount) is a requirement for your law firm's continued success?

Sample Comments - No

- Our strategy is to improve both the quality of our lawyers and the profitability and productivity of our lawyers.
- Acquisition of key talent is critical. Growth in headcount is not necessarily.
- It is not strictly about the numbers. It is about having the right mix of lawyers to serve the firm's clients.
- Headcount growth isn't mandatory as long as our leverage remains similar.
- Only as required to keep pace with practice growth and replace retiring partners
- We need to attract more business minded attorneys. Because we have such a large group of very senior attorneys, we should see a lot of turnover in the next few years, but I don't believe the total number needs to increase to make us prosperous.
- We are chasing profitability. We hope when we achieve a certain level of RPL, good lawyers with good books will be drawn to us.
- We believe revenue growth is a requirement for continued success but we do not believe the only way to achieve growth is through lawyer headcount.
- Continued success is driven by smart strategic, operational and business development practices, not the timekeeper headcount per se.
- We are at an adequate size for our market. We hope not to shrink, but would only grow if the right opportunity comes along.
- Not growth per se, but if we are doing everything we want to do correctly, there will be resulting growth.

Law Firm Growth Strategy: 2015 Plans

Q: What growth options, if any, will your law firm pursue in 2015?



Law Firm Growth Strategy: Trends

Top 2015 growth options by firm size:

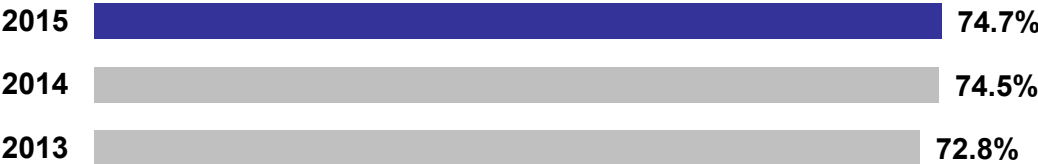
	Under 250 lawyers	250 lawyers or more
Acquire laterals	91.3%	98.8%
Acquire groups	60.3%	95.2%
Open new US offices/s	27.0%	42.7%
Acquire law firms	23.6%	42.1%

Top growth options by year:

	2010	2011	2012	2013	2014	2015
Acquire laterals	85.3%	91.6%	92.3%	89.4%	91.1%	93.3%
Acquire groups	54.8%	67.1%	68.2%	62.0%	64.7%	70.1%
Open new US office/s	17.5%	24.6%	27.9%	27.4%	26.1%	31.3%
Acquire law firm/s	19.7%	23.0%	29.5%	27.1%	23.1%	28.7%

Lateral Growth: Trends

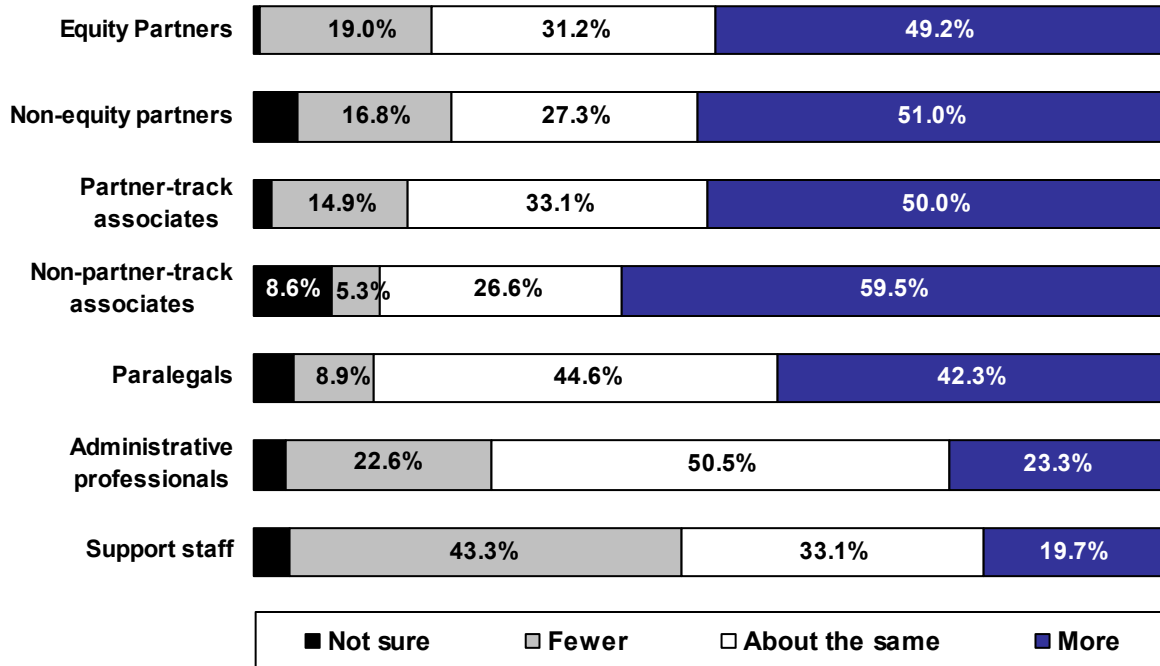
Q: Do you think increased lateral movement will be a permanent trend going forward?



'Yes' - Permanent

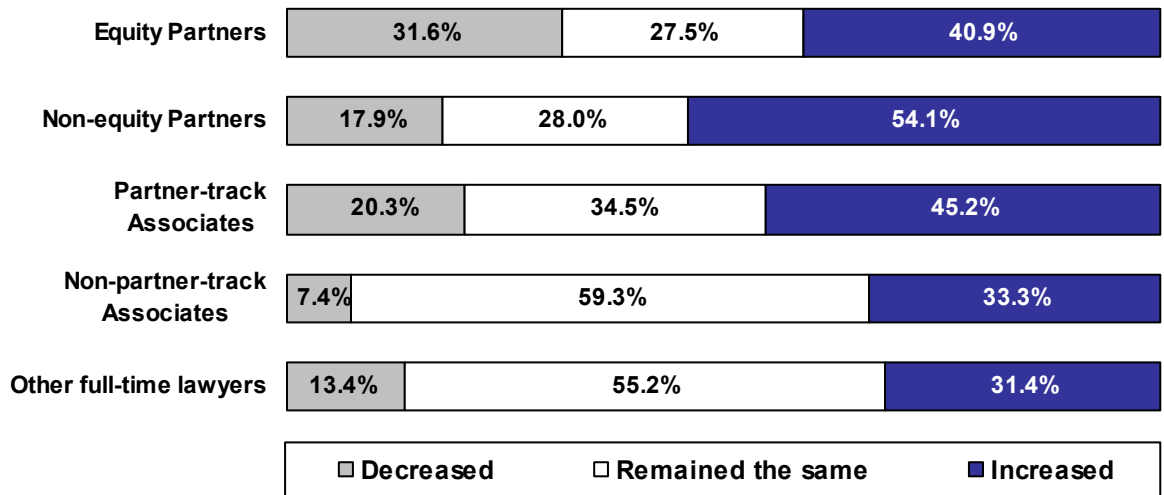
Law Firm Growth: Five Year Outlook

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



Lawyer Headcount 2014: Net Change

Q: What was your firm's approximate net change in lawyer headcount in each of the following categories in 2014?

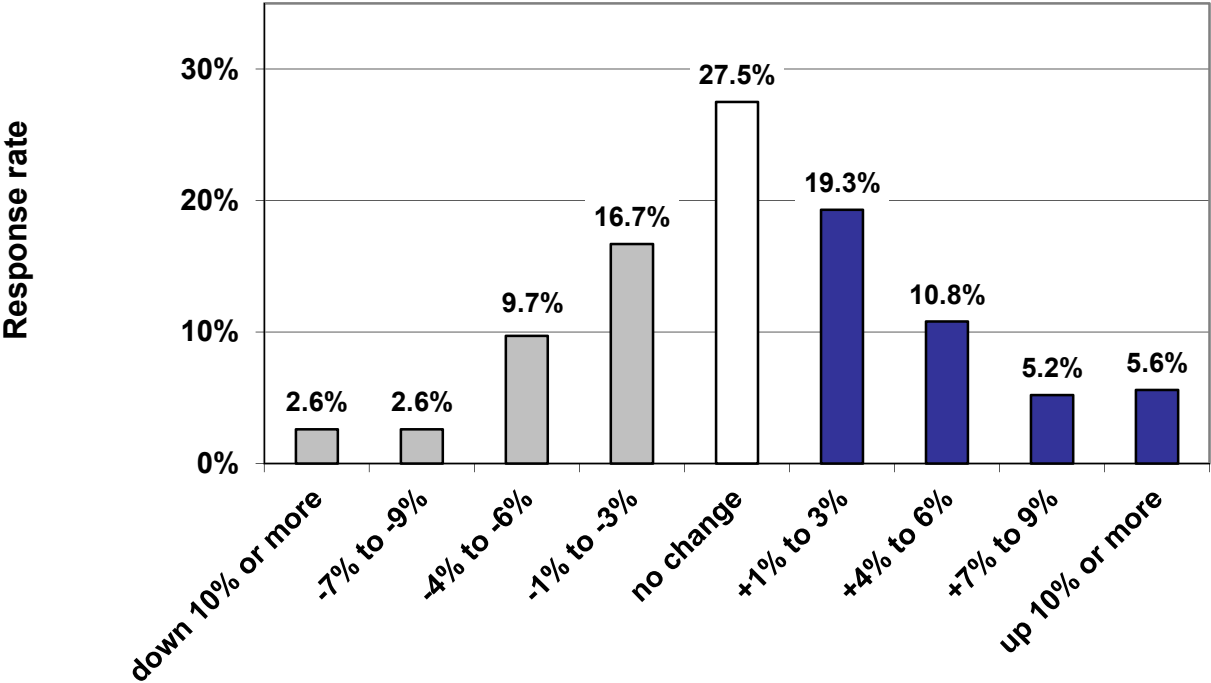


Comparison of median net change in headcount by year:

	2012	2013	2014
Equity partners	+1%	No change	No change
Non-equity partners	+3%	+2%	+1%
Partner-track associates	+2%	+1%	No change
Non-partner-track associates	No change	No change	No change
Other full-time lawyers	No change	No change	No change

Lawyer Headcount 2014: Equity Partners

DETAIL: EQUITY PARTNERS

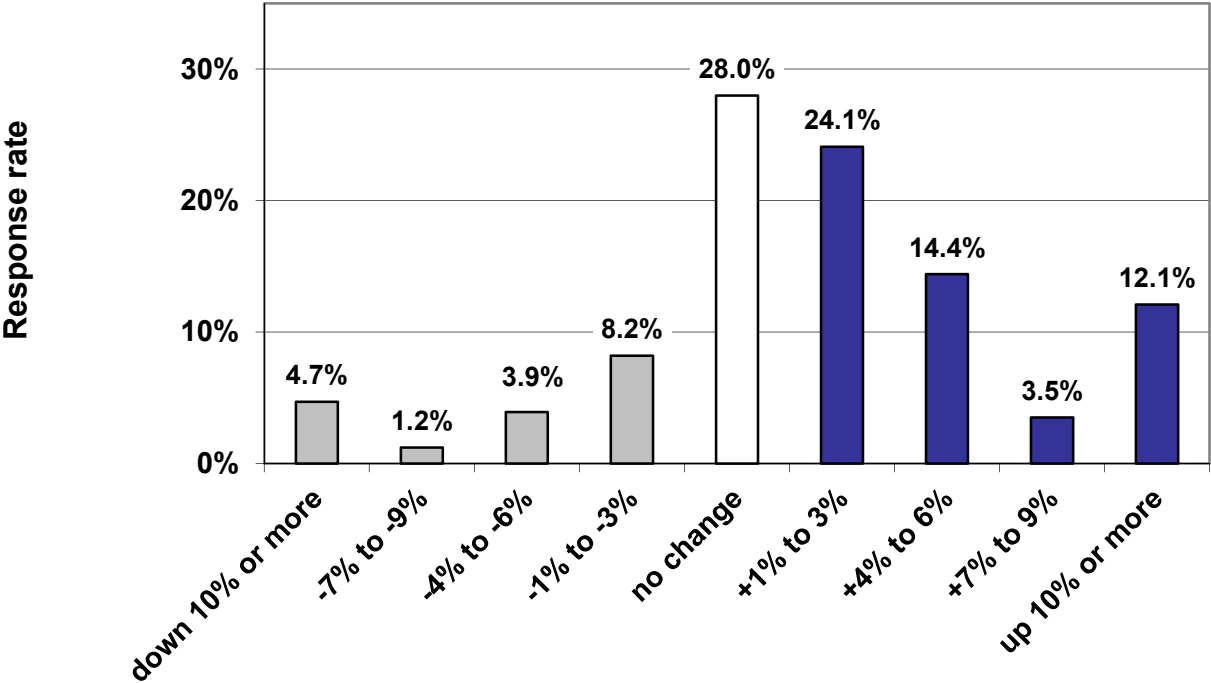


2014 Net Change in Equity Partner Headcount

Median change: No change

Lawyer Headcount 2014: Non-Equity Partners

DETAIL: NON-EQUITY PARTNERS

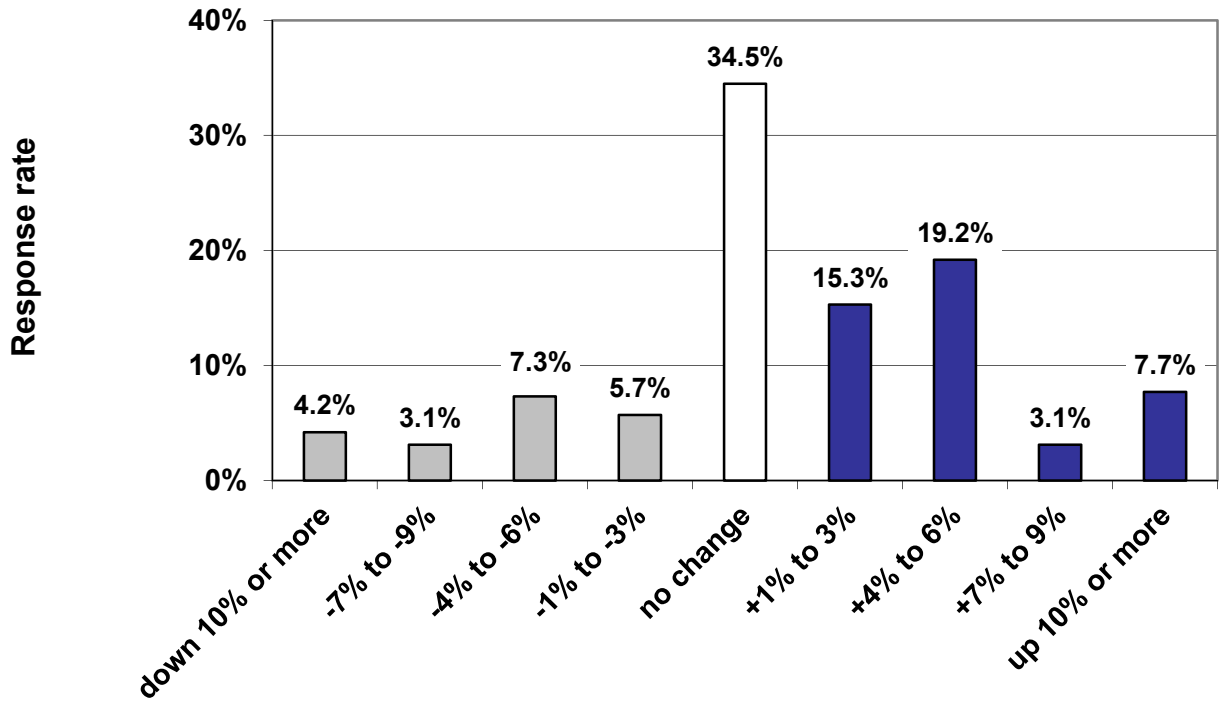


2014 Net Change in Non-Equity Partner Headcount

Median change: +1%

Lawyer Headcount 2014: Partner-Track Associates

DETAIL: PARTNER-TRACK ASSOCIATES

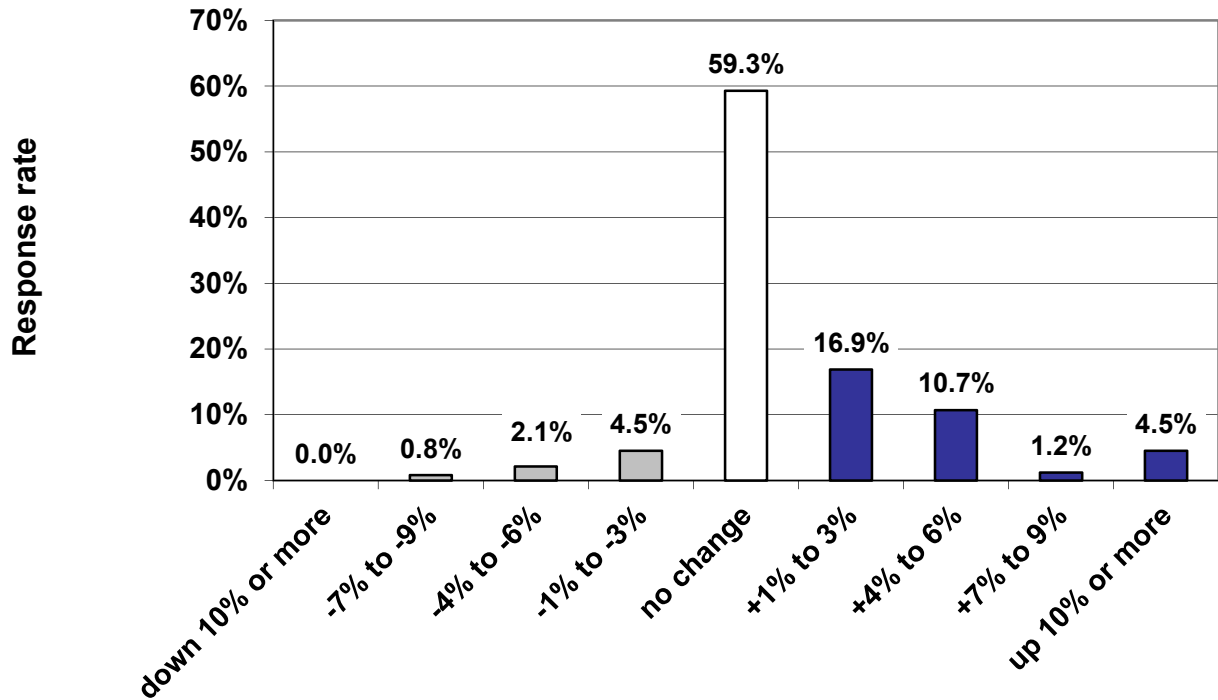


2014 Net Change in Partner-Track Associate Headcount

Median change: No change

Lawyer Headcount 2014: Non-Partner Track Associates

DETAIL: NON-PARTNER-TRACK ASSOCIATES

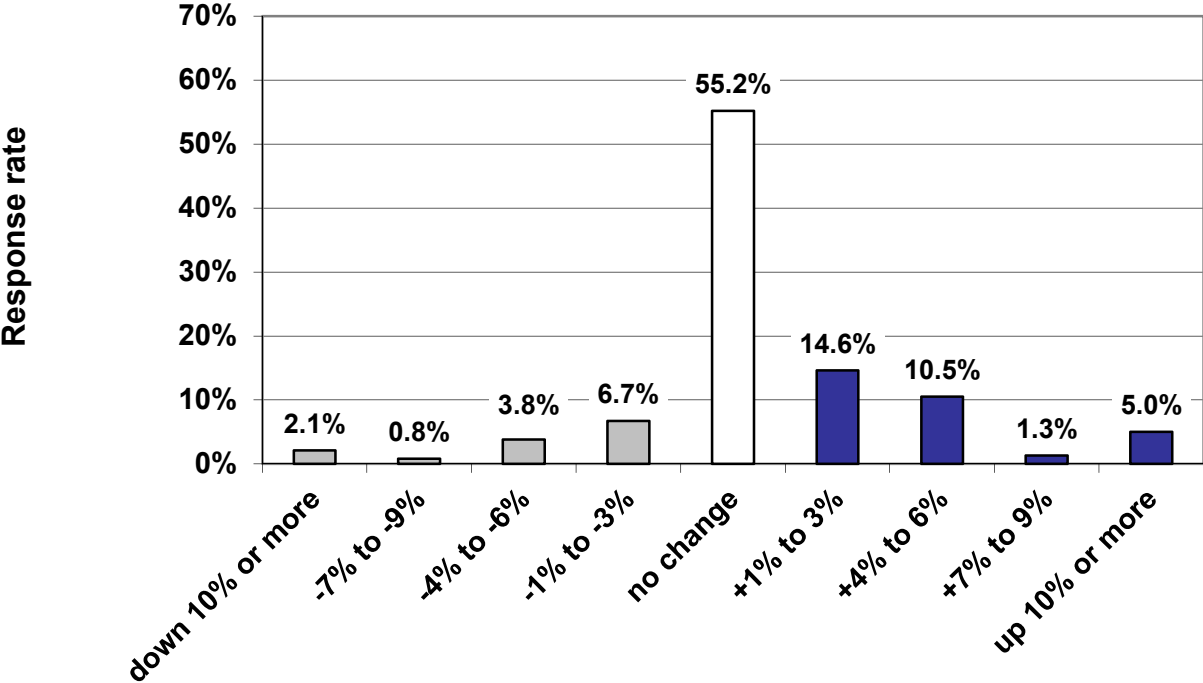


2014 Net Change in Non-Partner-Track Associate Headcount

Median change: No change

Lawyer Headcount 2014: Other Full-Time Lawyers

DETAIL: OTHER FULL-TIME LAWYERS

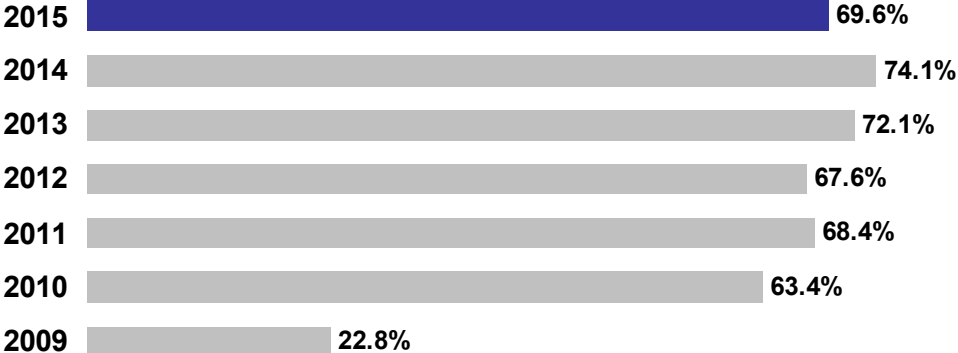


2014 Net Change in Other Full-Time Lawyer Headcount

Median change: No change

Equity Partnership: Trends

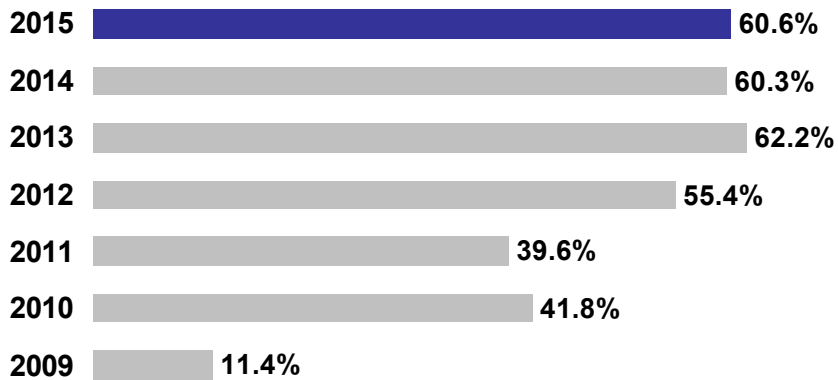
Q: Do you think fewer equity partners will be a permanent trend going forward?



'Yes' - Permanent

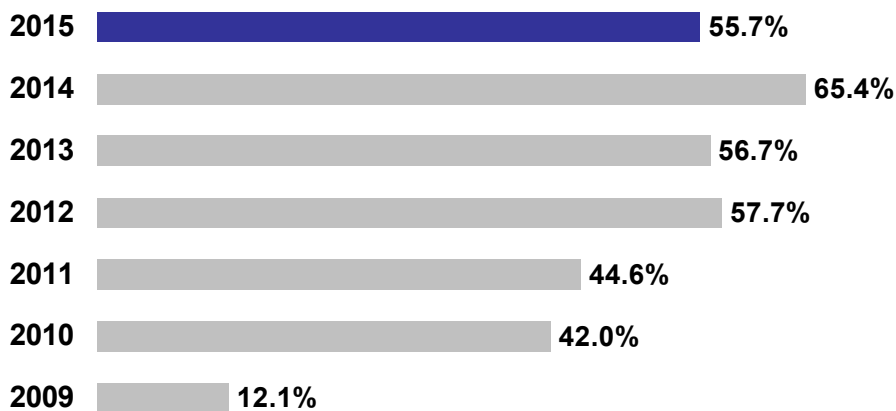
Associates: Trends

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



'Yes' - Permanent

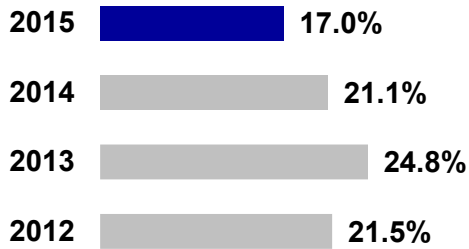
Q: Do you think reduced leverage will be a permanent trend going forward?



'Yes' - Permanent

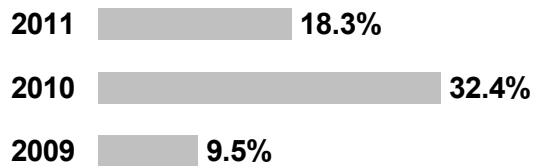
Associates: Trends

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



'Yes' - Permanent

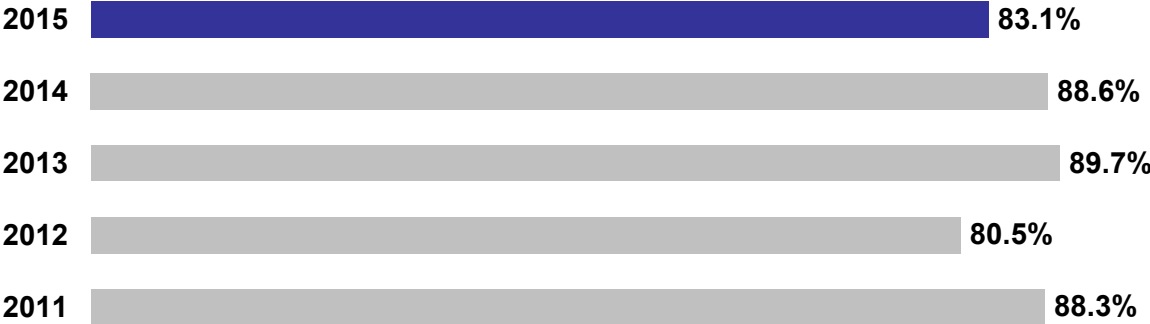
Q: Do you think reduced associate salaries will be a permanent trend going forward?



'Yes' - Permanent

Support Staff: Trends

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



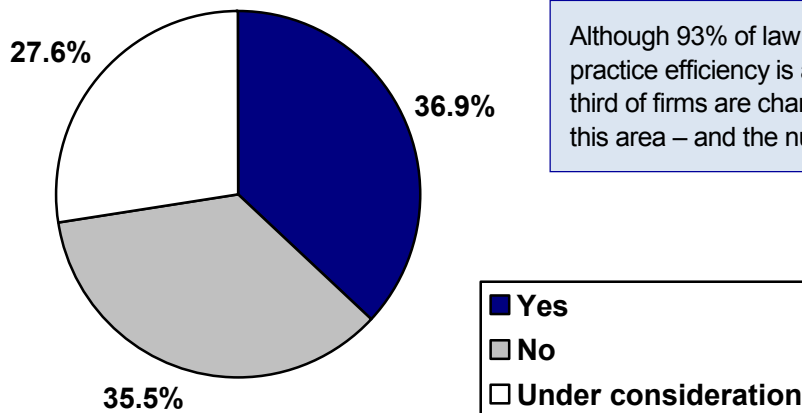
'Yes' - Permanent

Efficiency of Legal Service Delivery

LAW FIRMS IN TRANSITION 2015

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?



Although 93% of law firm leaders think a focus on practice efficiency is a permanent trend, just over a third of firms are changing their strategic approach in this area – and the number is declining.

Comparison by firm size:

	Yes	No	Under consideration
Under 250 lawyers	29.9%	41.6%	28.5%
250 lawyers or more	56.6%	18.4%	25.0%

Larger firms are almost twice as likely to be changing their strategic approach to efficiency of legal service delivery than smaller firms.

Comparison by year:

	Yes	No	Under consideration
2015	36.9%	35.5%	27.6%
2014	39.4%	34.9%	25.7%
2013	44.6%	33.0%	22.3%

Efficiency of Legal Service Delivery: Financial Impact

Does pursuing strategic change in efficiency of legal service delivery affect a law firm's financial performance?

We compared the change in Gross Revenue, Revenue per Lawyer (RPL) and Profits per Equity Partner (PPEP) from 2013 to 2014 as reported by those firms that said they are pursuing strategic change versus those firms that said they are not.

Gross Revenue	Down	No change	Up
YES: Changed strategic approach	18.6%	5.9%	75.5%
NO: Have not changed approach	23.0%	11.0%	66.0%

Revenue Per Lawyer	Down	No change	Up
YES: Changed strategic approach	8.1%	16.2%	75.8%
NO: Have not changed approach	24.2%	14.1%	61.6%

Profits Per Equity Partner	Down	No change	Up
YES: Changed strategic approach	15.2%	9.1%	75.8%
NO: Have not changed approach	27.3%	12.1%	60.6%

Efforts to Increase Efficiency

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



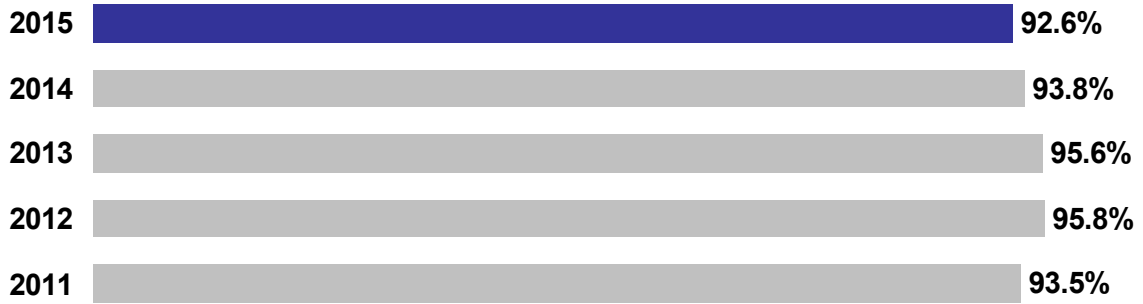
Efforts to increase efficiency

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using technology tools to replace human resources	55.7%	64.5%
Knowledge management	52.8%	68.4%
Rewarding efficiency/profitability in comp decisions	43.9%	61.8%
Project management training	34.4%	69.7%
Shifting work to contract/temporary lawyers	32.5%	67.1%
Shifting work from lawyers to paraprofessionals	34.4%	44.7%
Reengineering work processes	21.2%	40.8%
Using non-law-firm vendors	12.7%	27.6%
None of the above	9.0%	1.3%

Efficiency of Legal Service Delivery: Trends

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



'Yes' - Permanent

Q: Do you think technology replacing human resources will be a permanent trend going forward?



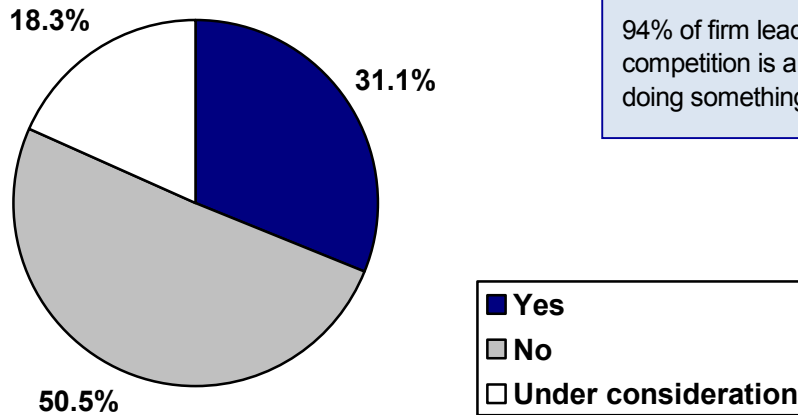
'Yes' - Permanent

Pricing Strategies

LAW FIRMS IN TRANSITION 2015

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?



94% of firm leaders believe more price competition is a permanent trend; 31% are doing something about it.

Comparison by firm size:

	Yes	No	Under consideration
Under 250 lawyers	23.5%	57.7%	18.8%
250 lawyers or more	52.6%	30.3%	17.1%

Comparison by year:

	Yes	No	Under consideration
2015	31.1%	50.5%	18.3%
2014	29.5%	48.0%	22.6%
2013	29.0%	53.6%	17.4%

Pricing Strategy: Financial Impact

Does pursuing strategic change in pricing strategy affect a law firm's financial performance?

We compared the change in Gross Revenue, Revenue per Lawyer (RPL) and Profits per Equity Partner (PPEP) from 2013 to 2014 as reported by those firms that said they are pursuing strategic change versus those firms that said they are not.

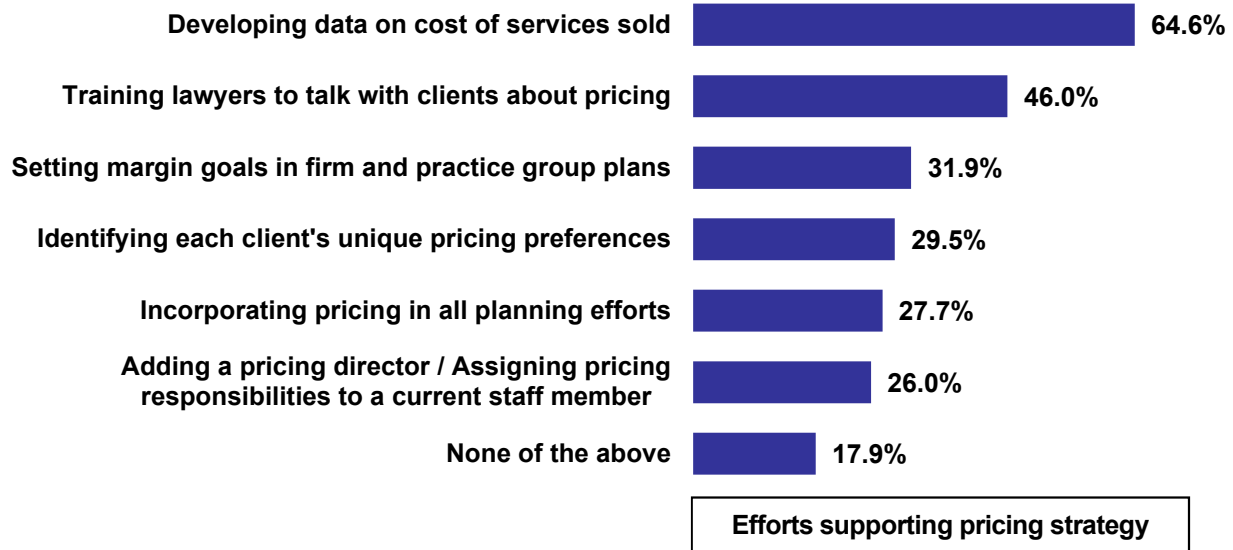
Gross Revenue	Down	No change	Up
YES: Changed strategic approach	19.5%	5.8%	74.7%
NO: Have not changed approach	19.9%	10.6%	69.5%

Revenue Per Lawyer	Down	No change	Up
YES: Changed strategic approach	9.5%	16.7%	73.8%
NO: Have not changed approach	18.7%	13.7%	67.6%

Profits Per Equity Partner	Down	No change	Up
YES: Changed strategic approach	15.7%	9.6%	74.7%
NO: Have not changed approach	25.2%	8.6%	66.2%

Efforts to Support Pricing Strategy

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

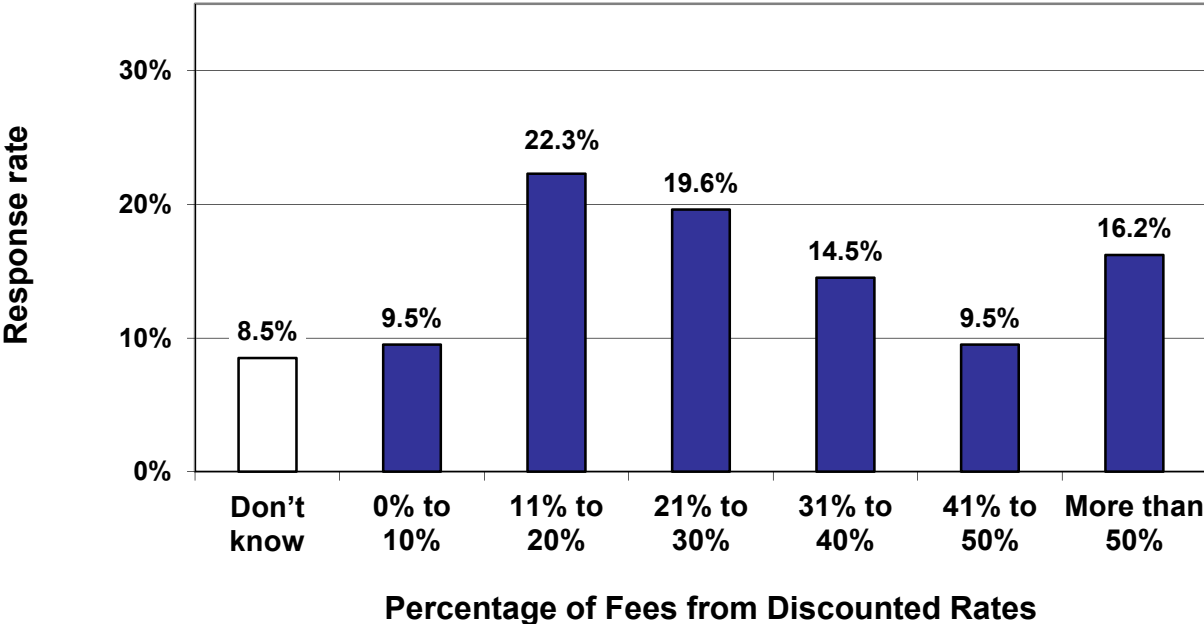


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Developing data on cost of services sold	56.9%	85.5%
Training lawyers to talk with clients about pricing	35.4%	75.0%
Setting margin goals in firm and practice group plans	25.8%	48.7%
Identifying each client's unique pricing preferences	24.9%	42.1%
Incorporating pricing in all planning efforts	24.4%	36.8%
Adding Pricing Director / Staff member	13.9%	59.2%
None of the above	23.9%	1.3%

Pricing: Discounts

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



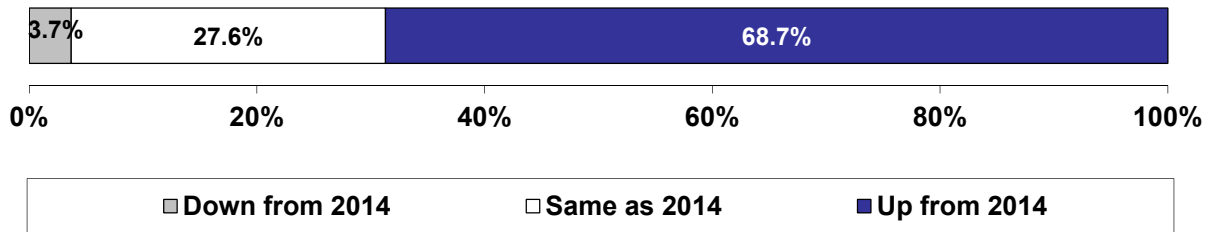
Median: 21% to 30%

Comparison of median results by firm size:

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

Pricing: Realization

Q: Overall, do you expect your firm's effective (realized) rates for 2015 to be up, down or the same as in 2014?



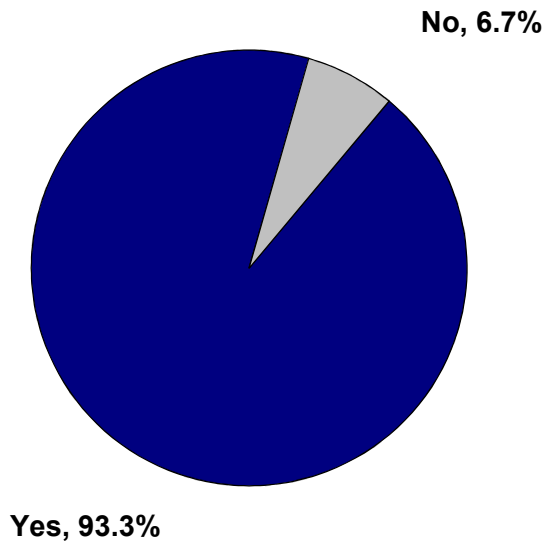
Effective Realized Rate

Comparison by year:

	DOWN	SAME	UP
2015	3.7%	27.6%	68.7%
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%

Alternative Fees: 2015 Usage

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

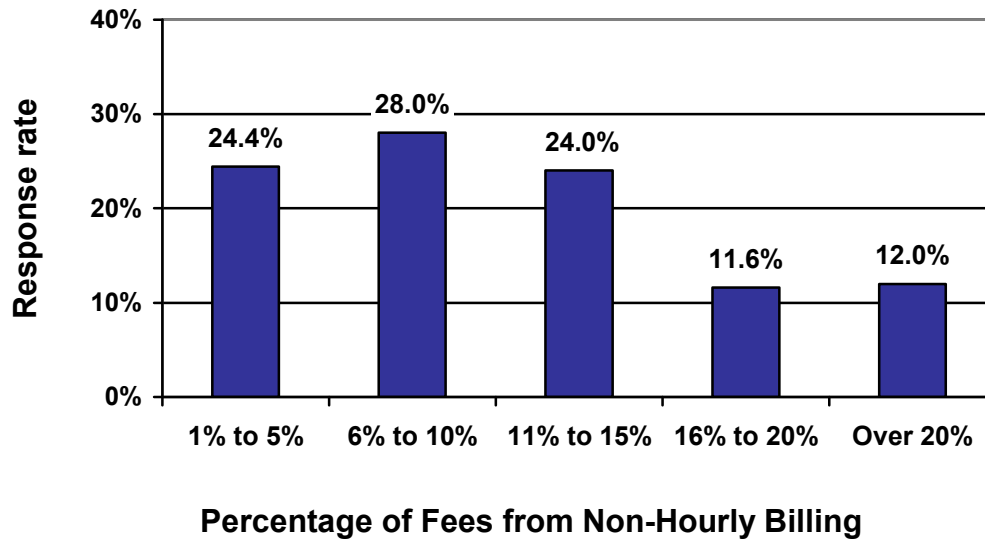


Comparison by firm size:

	Yes	No
50-99 lawyers	88.2%	11.8%
100-249 lawyers	94.6%	5.4%
250-499 lawyers	97.2%	2.8%
500-999 lawyers	100.0%	0.0%
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 2014 were generated by non-hourly based billing?



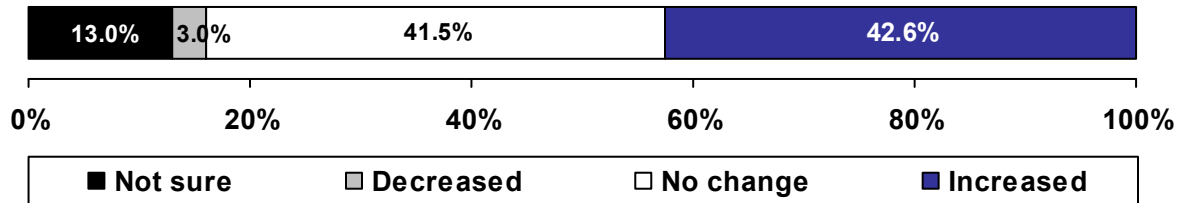
Median: 10%

Comparison of median results by firm size:

	MEDIAN
50-99 lawyers	10.0%
100-249 lawyers	10.0%
250-499 lawyers	12.5%
500-999 lawyers	15.0%
1,000+ lawyers	15.0%

Alternative Fees: Change in Usage

Q: In 2014, did your firm increase its amount of non-hourly based billing (measured by percentage of revenue)?



2014 Change in Non-Hourly Billing

Comparison by firm size:

	Not Sure	Decreased	No Change	Increased
Under 250 lawyers	13.3%	3.6%	45.4%	37.8%
250 lawyers or more	12.2%	1.4%	31.1%	55.4%

Alternative Fees: Usage Trends

Comparison by year:

Use of alternative fee arrangements

	YES	NO
2015	93.3%	6.7%
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%

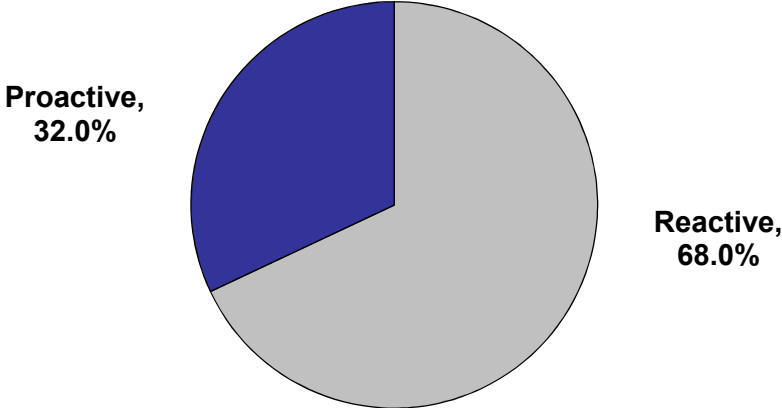
Comparison by year:

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

	NOT SURE	DECREASE	NO CHANGE	INCREASE
2015	13.0%	3.0%	41.5%	42.6%
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)?

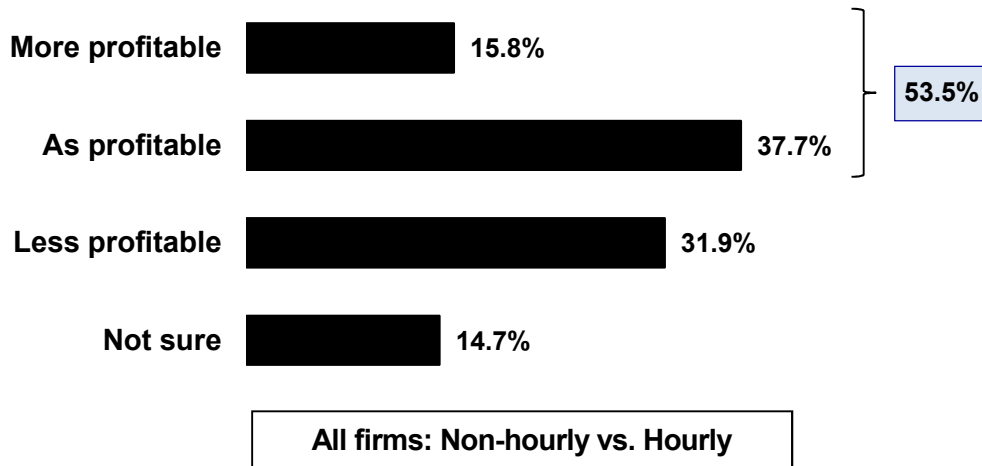


Comparison by year:

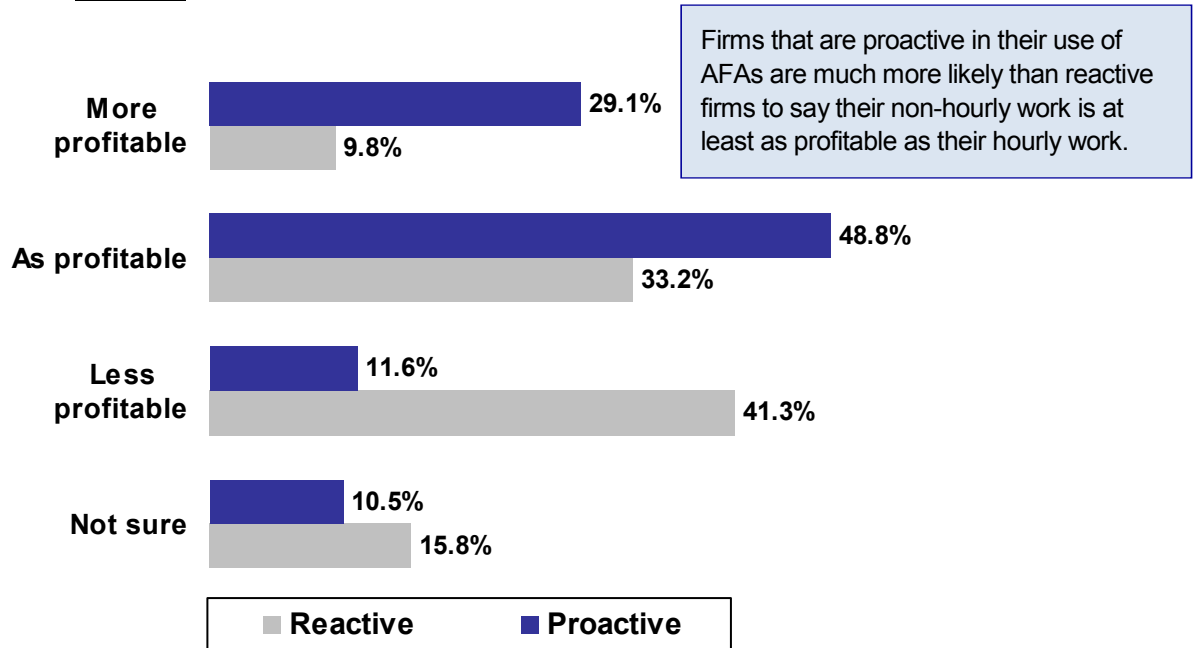
	PROACTIVE	REACTIVE
2015	32.0%	68.0%
2014	28.4%	71.6%
2013	31.5%	68.5%
2012	33.2%	66.8%
2011	32.2%	67.7%
2010	41.3%	58.7%

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
2015	14.7%	31.9%	37.7%	15.8%
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%

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

Comparison by year:

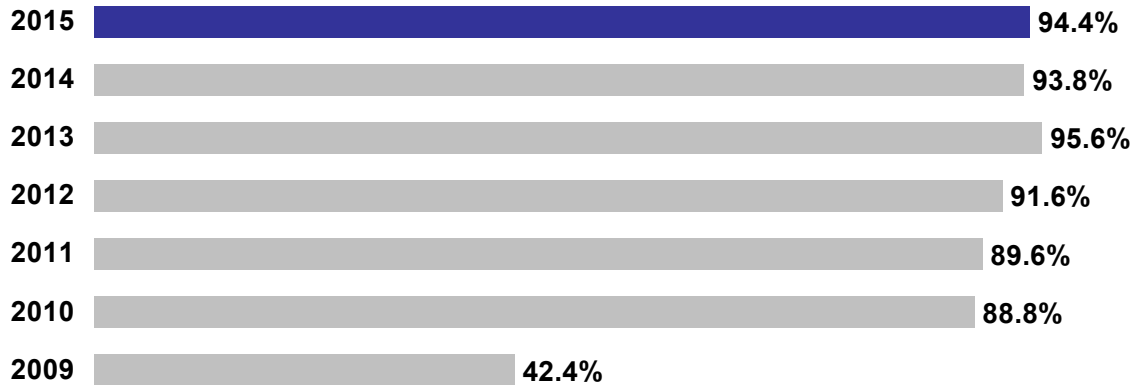
Profitability of non-hourly vs. hourly projects in proactive firms

	Not sure	Less profitable	As profitable	More profitable
2015	10.5%	11.6%	48.8%	29.1%
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%

But proactive firms have greatly improved the likelihood that their alternative fees will be at least as profitable as their hourly work.

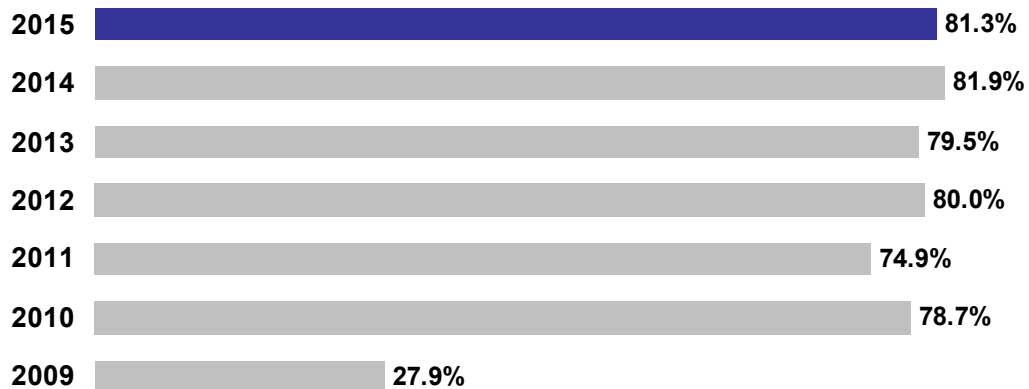
Pricing: Trends

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



'Yes' - Permanent

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



'Yes' - Permanent

Pricing: Trends

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



'Yes' - Permanent

Q: Do you think decreased realization rates will be a permanent trend going forward?



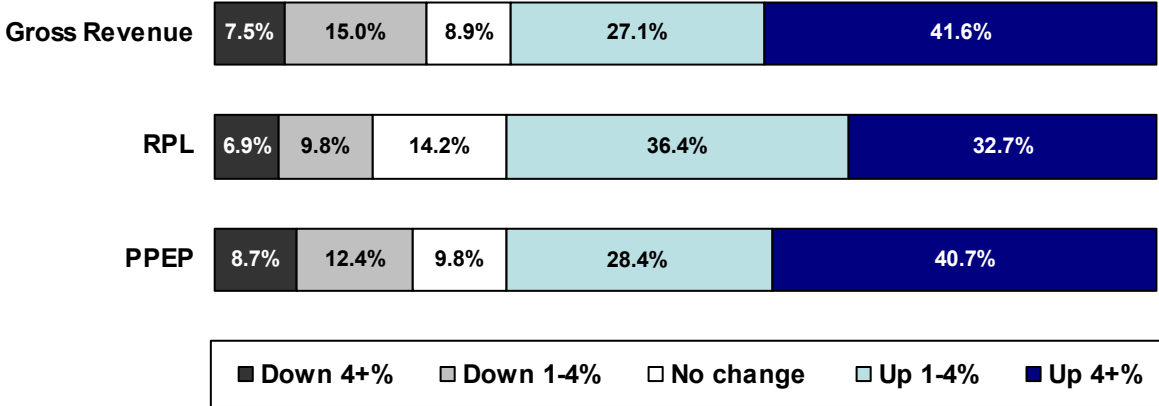
'Yes' - Permanent

Financial Performance

LAW FIRMS IN TRANSITION 2015

Financial Performance: 2014

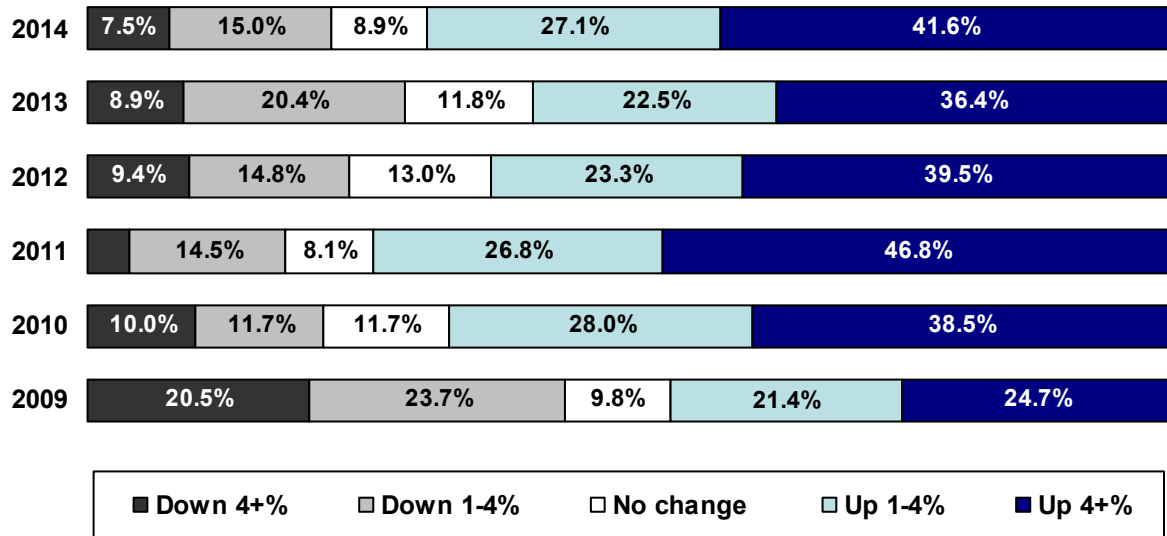
Q: How did your law firm perform in 2014 compared to 2013?



Gross revenue, Revenue per Lawyer and Profits per Equity Partner were up in 69% of all law firms in 2014 – and that’s very good news. But a strengthening economy does not negate the forces of change and competition that law firms face and firm leaders must continue to guard against complacency.

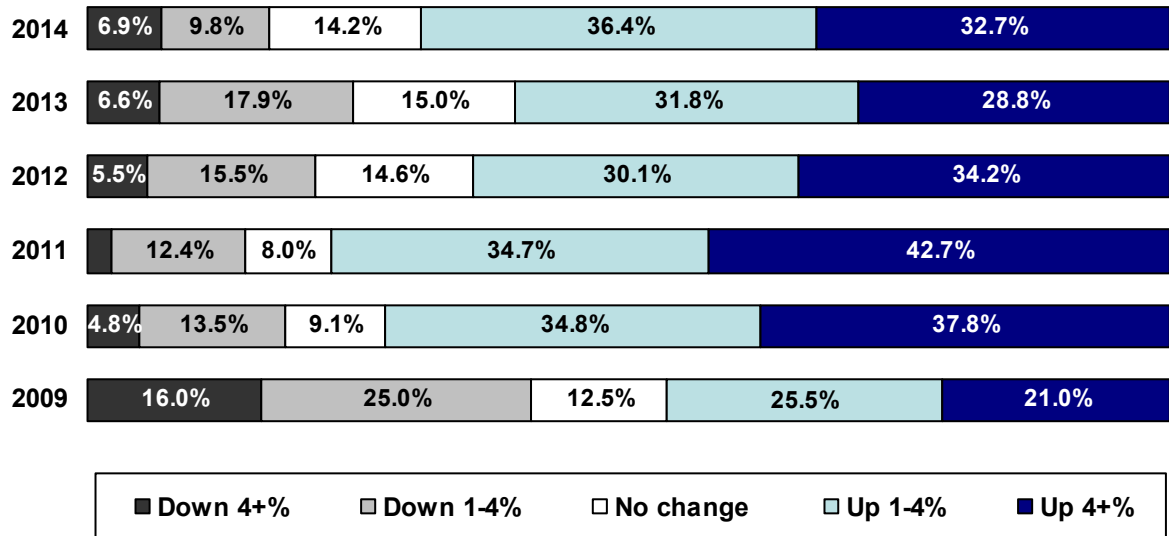
Gross Revenue: Trend 2009 - 2014

Comparison by year:



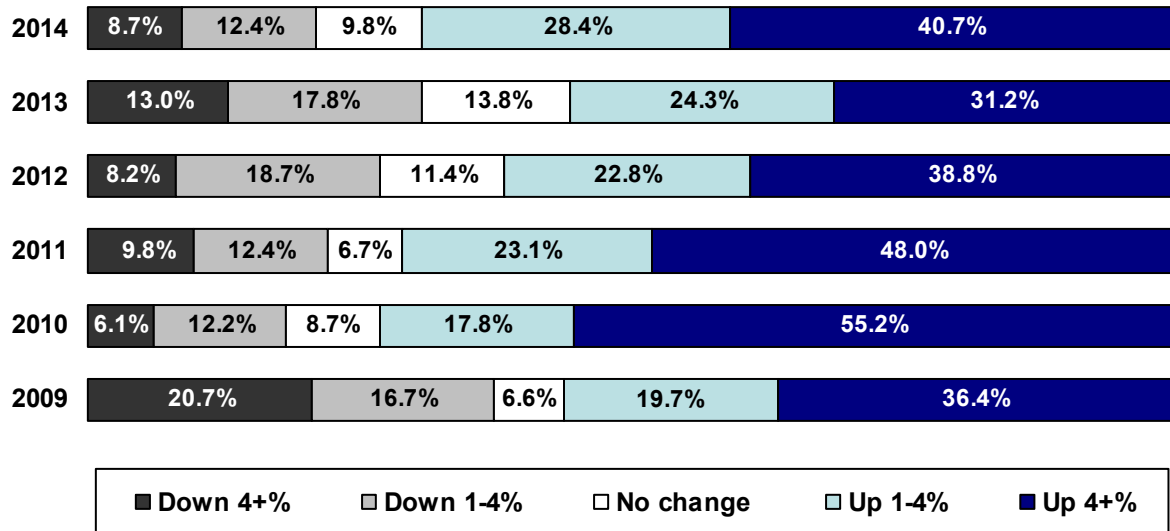
Revenue Per Lawyer: Trend 2009 - 2014

Comparison by year:



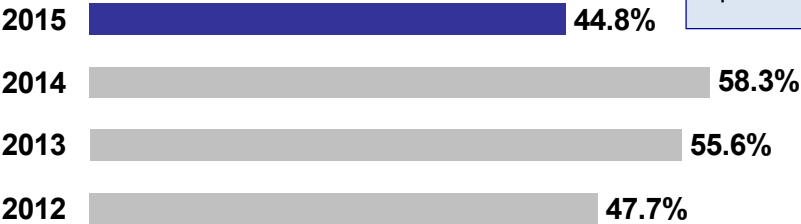
Profits Per Equity Partner: Trend 2009 - 2014

Comparison by year:



Profits Per Equity Partner: Trend

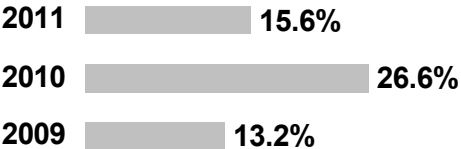
Q: Do you think a slowdown in the growth of profits per partner will be a permanent trend going forward?



This unprecedented drop of 13.5 percentage points indicates a new optimism among law firm leaders.

'Yes' - Permanent

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



'Yes' - Permanent

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
2014	22.5%	8.9%	68.7%
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%

RPL	Down	No change	Up
2014	16.7%	14.2%	69.1%
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%

PPEP	Down	No change	Up
2014	21.1%	9.8%	69.1%
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%

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).

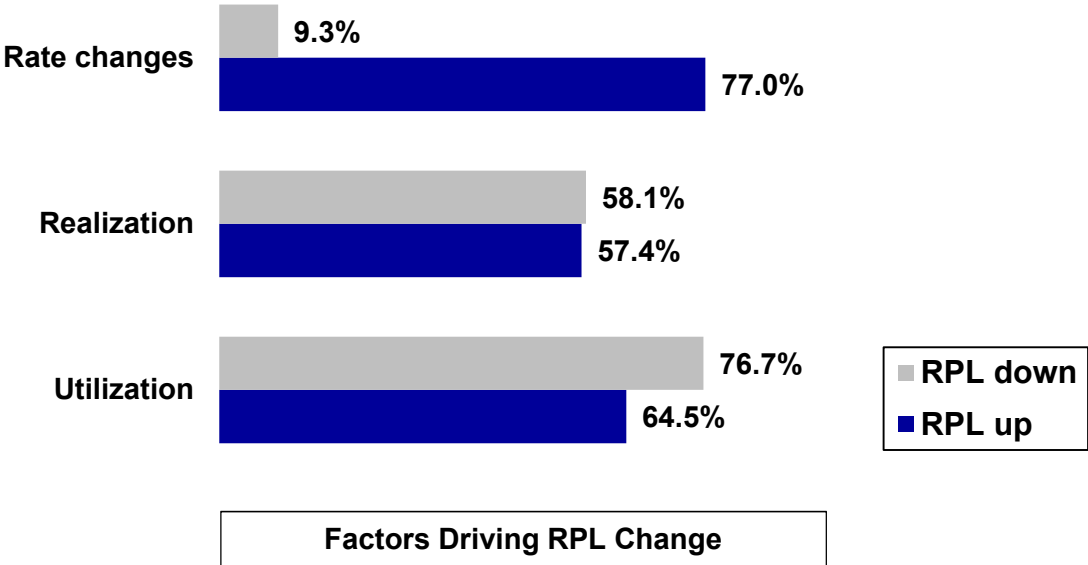
Gross revenue	Down	No change	Up
Under 250 lawyers	24.5%	9.6%	65.9%
250 lawyers or more	16.4%	6.8%	76.7%

Revenue per lawyer	Down	No change	Up
Under 250 lawyers	20.3%	15.3%	64.4%
250 lawyers or more	6.8%	11.0%	82.2%

Profits per partner	Down	No change	Up
Under 250 lawyers	24.3%	8.9%	66.8%
250 lawyers or more	12.3%	12.3%	75.3%

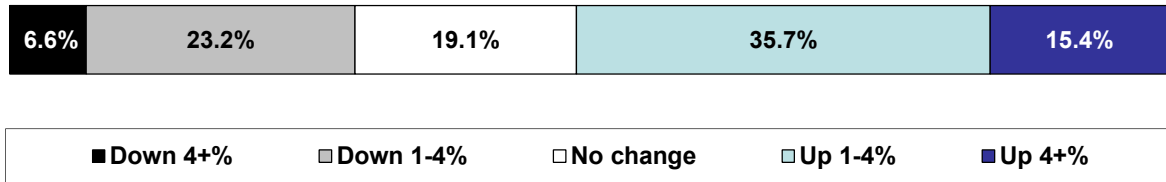
Financial Performance: 2014 RPL Drivers

Q: If your firm’s Revenue Per lawyer (RPL) changed – up or down – in 2014, which factor/s caused the change? Select all that apply.



Financial Performance: 2014 Overhead Costs

Q: How did your law firm perform in 2014 compared to 2013?



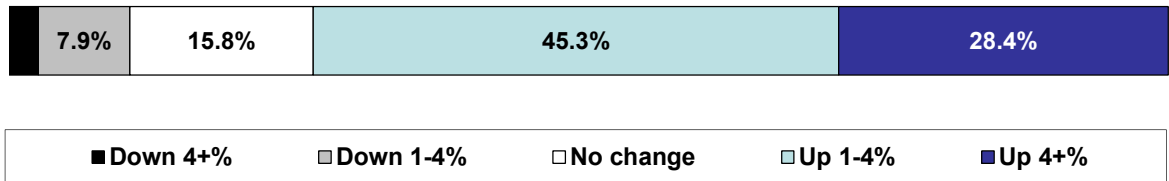
2014 Overhead

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
2014	29.8%	19.1%	51.1%
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%

2015 Gross Revenue: Expectation

Q: Overall do you expect your firm's gross revenue in 2015 to be up or down?

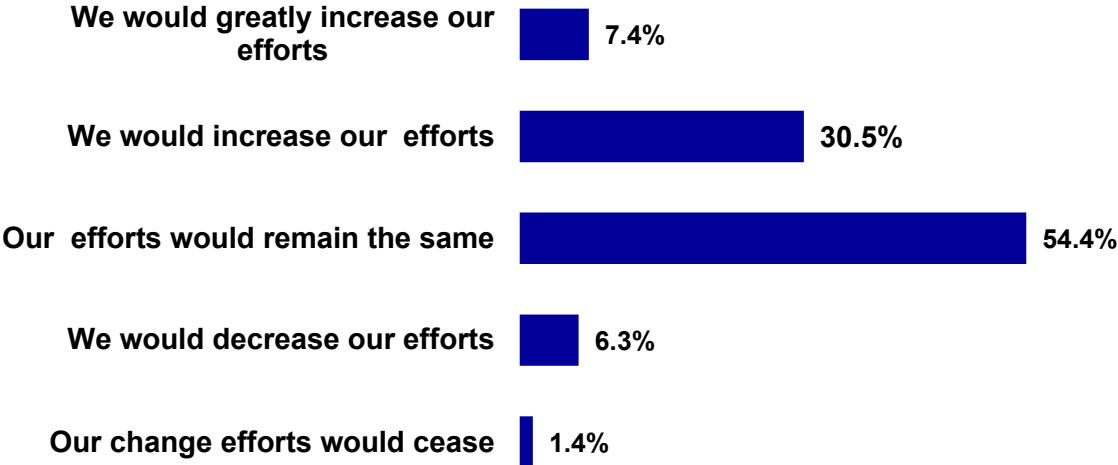


Predicted change in 2015 gross revenue

73.7% of law firm leaders expect their firms' gross revenue to increase in 2015.

Financial Performance: Impact on Change Efforts

Q: If your law firm’s financial outlook improved significantly, how would that affect the scope and pace of your firm’s change efforts?



If our financial outlook improved...

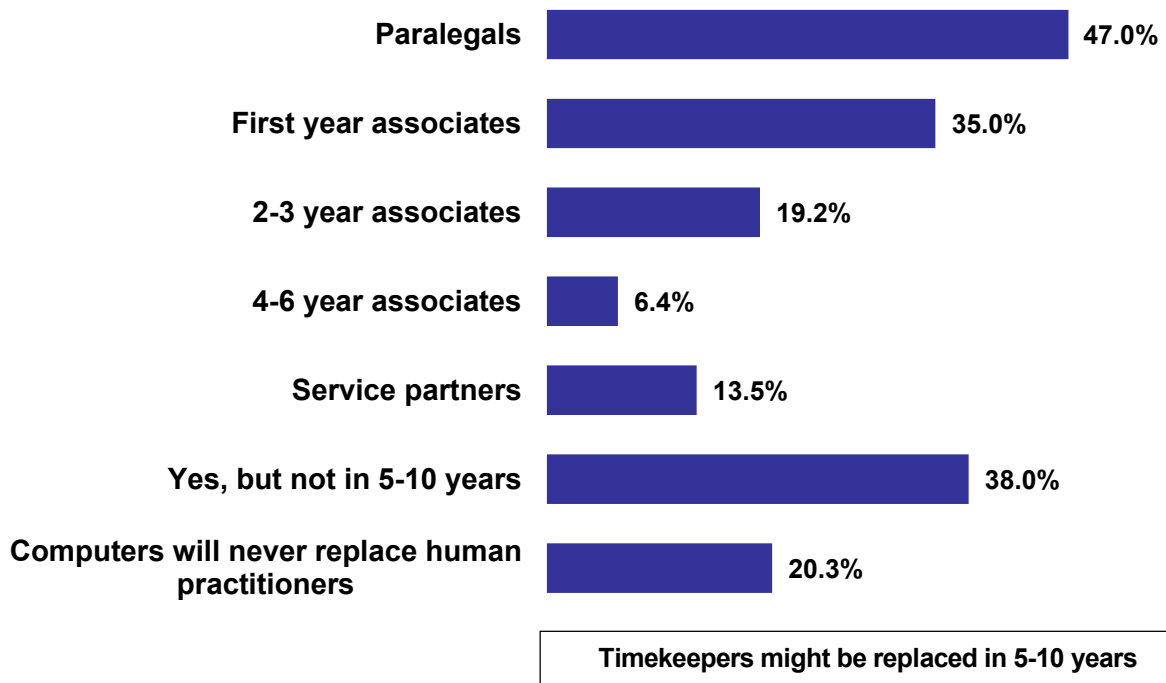
Bonus Question: Artificial Intelligence

LAW FIRMS IN TRANSITION 2015

Bonus Question: Artificial Intelligence and the Legal Profession

Q: In 2011, an IBM cognitive computing system called Watson defeated two former Jeopardy! game show champions, demonstrating the power of artificial intelligence. Since then, IBM says that Watson's performance has improved by 2,400 percent and the IBM Watson Group is reportedly working with a number of legal organizations on a variety of applications for the profession.

Can you envision a law-focused 'Watson' replacing any of the following timekeepers in your firm in the next 5 to 10 years? (Select all that apply.)



Artificial Intelligence and the Legal Profession: 2011 vs. 2015

Q: Can you envision a law-focused ‘Watson’ replacing any of the following timekeepers in your firm in the 5 to 10 years?

In the *2011 Law Firms in Transition Survey*, we asked the same question of law firm leaders. Following is a comparison of results in 2011 and 2015 illustrating a growing recognition of the capabilities of artificial intelligence.



Participant Demographics
LAW FIRMS IN TRANSITION 2015

2015 Survey Participant Demographics

In March and April 2015, Altman Weil surveyed Managing Partners and Chairs of 797 US law firms with 50 or more lawyers. We received responses from 320 firms, a 40% response rate.

Firm Size*	All US Law Firms	Survey Participants	% Response
1,000 +	25	9	36%
500 – 999	61	35	57%
250 – 499	86	41	48%
100 – 249	238	119	50%
50 – 99	387	116	30%
All	797	320	40%

The respondent group includes**:

- 47% of 2014 NLJ 350 law firms
- 45% of 2014 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 2015. Survey participants reported their own lawyer headcounts.

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

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