

2019
Law Firms in Transition
An Altman Weil Flash Survey



Contact Altman Weil, Inc.

3959 Welsh Road, Suite 328

Willow Grove, PA 19090

(610) 886-2000

www.altmanweil.com

info@altmanweil.com

Thomas S. Clay: tsclay@altmanweil.com

Eric A. Seeger: eseeger@altmanweil.com



2019
Law Firms in Transition
An Altman Weil Flash Survey

Contributing Authors

Thomas S. Clay

Eric A. Seeger



Copyright 2019 Altman Weil, Inc. All rights reserved.

No part of this work may be reproduced or copied in any form or by any means without prior written permission of Altman Weil, Inc.

For reprint permission, contact Altman Weil, Inc.
3959 Welsh Road, Suite 328, Willow Grove, PA 19090
610.886.2000 or info@altmanweil.com

Table of Contents

Introduction	i
Market Forces	1
Productivity	11
Lawyer Staffing Strategies	16
Efficiency of Legal Service Delivery	21
Pricing Strategies	24
Law Firm Profitability	34
Practice Groups	38
Leading Change	41
Financial Performance	54
Bonus Question.....	62
Participant Demographics	63

Law Firms in Transition 2019

The 2019 edition of Altman Weil's *Law Firms in Transition Survey* – our annual assessment of the profession's most compelling trends and opportunities – finds more US law firms enjoying improved financial performance and reports greater confidence among law firm leaders. A clearer picture of 'what works' is taking shape as we continue to explore what firms are doing and how successful they've been in the critical areas of pricing, staffing, efficiency, profitability, practice group leadership, leading change and long-term sustainability.

Financial Gains Posted by Most Firms

Of the 362 firms participating in this year's survey, more than 78% reported higher gross revenue in 2018 compared to 2017, up sharply from 68% the previous year. Similarly, 77% of firms reported increased revenue per lawyer (up from 66% the prior year) and 72% of firms reported gains in profit per equity partner (up from 61% the prior year). Financially, it was a good year overall for law firms and a dramatic improvement over the previous six years when the number of firms reporting revenue gains varied between 59% and 69%.

Forty-nine percent of firms reported demand for their services was up in each of the last three years, compared to only 40% a year ago. Lawyers are busier. Firms raised their rates more aggressively than in previous years and clients paid the increases.

Buoyed by positive financial results, many law firm leaders scaled back their skepticism regarding the long-term outlook for legal services. This year's survey saw an unprecedented decline in the number of firm leaders who expect to see persistent ongoing commoditization of legal work (down 5 percentage points from last year), the erosion of demand for law firm services (down 7 points), decreased realization rates (down 11 points), smaller annual billing rate increases (down 5 points) and slowdown in profit per partner growth (down 7 points).

THE 2019 SURVEY

WE POLLED:

Managing Partners and Chairs at 810 US law firms with 50 or more lawyers.

PARTICIPATION:

362 firms (45%) including 49% of the 500 largest US law firms and 46% of the AmLaw 200 participated.

WHAT'S NEW:

Look for 'New' flags in the upper right corner of pages to indicate questions we asked for the first time in 2019.

Law firm leaders have long recognized a host of permanent trends that have reshaped the legal landscape. There has been near-universal agreement in our past surveys that the pace of change will remain high or even accelerate. Yet only 54% of managing partners said their firms' urgency to change is higher now than it was two years ago. Success can bring about a tendency to relax.

Topping the list of managing partners' concerns in 2019 is the prospect of a broad economic recession – although they rated it only at a 6.0 on a scale of 0 (not at all concerned) to 10 (existential threat). Three things are certain about the next recession. First, there will be one. Second, no one knows for sure when it will occur or how disruptive it will be. Third, some firms will fare better than others. It behooves law firms to take steps now to put themselves on the best possible footing to withstand a downturn and be in position to capture more work from unsettled clients.

Law Firms in Transition and the Law Firm Business Model

Our intent this year, as always, is to make the survey data a helpful tool for decision makers at all levels of leadership and management in law firms. To that end, we think it's useful to consider the data in terms of the four elements of a law firm business model: client value propositions, the profit model, key resources and key processes. All four areas must be managed, and their interdependency taken into account, when making decisions regarding strategy, policy and operational effectiveness.

1. Client Value Propositions

Peter Drucker famously asked, "*What does the customer want?*" Any business must determine what its customers or clients want and work hard to consistently deliver it. What do law firm clients want? In general, they want relevant expertise, professional service, good communication, an efficient process and desired outcomes at a reasonable price. However, specific answers reside with each individual client. "Quality service," "high-value outcomes" and "cost-effectiveness" must be defined by your clients, understood by your lawyers and practiced daily. For a law firm, practice group or lawyer to be successful, they must sell what clients want to buy and consistently deliver on promises and expectations.

Professionals, unlike widget makers, have always traded on specialized expertise. Clients are willing to pay for skills and knowhow, years of experience, informed judgment, knowledge of the client's business and industry, a proven track record,

perceived excellence in advocacy and counseling, and the like. But increasingly, law firm clients are unwilling to pay high hourly rates for what they deem to be lower-value, commoditized services such as routine due diligence, research and document review.

Clients are continually seeking “better, faster, cheaper” ways to meet their business objectives – it’s just the way of free-market competition. Law firm leaders agree almost unanimously (96%) that a focus on improved practice efficiency is a permanent trend in the profession. Therefore, we would hope to see more firms successfully differentiating on efficiency, staffing, pricing, technology utilization and the like. We continue to believe that the pace of change in these areas needs to be accelerated within many firms to enhance long-term sustainability.

Clients have choices, so it’s important for a law practice to be able to distinguish itself from other law firms and alternative service providers in meaningful ways. A majority of firms think they are significantly ahead of competitors in terms of their personal relationships with clients (61% of managing partners think so) and client service (53% think so). We note that it is mathematically impossible and logically inconsistent for most firms to lead the pack on these or any other factors. If everyone’s ahead, there’s no pack to lead. Your clients can tell you how you’re doing and how you compare in these areas – if you ask.

Although almost all firms were able to point out one or more areas – from experience to pricing to geography – in which they excel, only about half (53%) of firm leaders think their firm is clearly and specifically differentiated from competitors. That means almost half the firms in America cannot point to a compelling differentiator that would significantly elevate them above other firms in clients’ eyes. Establishing some credible means of differentiation should be a key area of attention for all firms and each group within a firm. “Good lawyers who do good work” isn’t enough. “We’re just as good as them and cheaper” might work – or might indicate a race to the bottom. We strongly recommend asking key clients what they value and measure, making sure your firm is demonstrably strong in those ways and not making unnecessary concessions. Again, an ongoing dialogue with clients is essential.

2. Profit Model

Firms successfully pulled many of the levers that led to improved profitability in 2018. Billing rates were increased more aggressively than in past years. Realization

held steady or even increased in 86% of firms. Staffing levels continue to be adjusted to reduce overcapacity. Firms used profitability data to assess and reward both efficiency and effectiveness.

Rate increases

Most firms (61%) increased their billing rates more aggressively in the last few years to improve profitability – and it worked, with 81% of those firms reporting a significant corresponding improvement in firm performance. Generous price increases on moderate increases in demand led to substantial performance gains in many firms. We recommend that firms pursue rate increases wherever they can get them – and be ready to justify the reason for the rate increase. Your lawyers must be able to demonstrate increased value to justify a price increase, not just point to increased costs or to other firms that raised their rates too. Rate increases should be tied to demonstrable improvements in service delivery and value delivered, in ways that clients can directly experience and measure.

During the post-recessionary period, many firms became afraid of losing their clients. Lawyers sought to “buy clients” or hold on to at-risk relationships by offering margin-killing discounts, sometimes as deep as 25%. Instead, we recommend collaborative discussions about pricing that encompass goals, staffing, pricing alternatives, budgets, matter management and metrics/reporting. Clients are looking for greater transparency and accountability in this area – not necessarily the lowest possible price.

Cost of services sold

Most firms (52%) have invested in developing data on their cost of services sold, but so far, only about a third of those firms are reporting clear corresponding improvements in firm performance. We continue to assert that real achievements can and must be made in using cost data and project management techniques to improve matter profitability, with or without the purchase of expensive, custom-tailored technology solutions. To have intelligent conversations with clients about scope, responsibilities, methodology and price, and to manage projects within agreed parameters, firms have to know their costs and have the tools and skills required to manage processes, staffing and costs within a budget.

More firms are generating profitability data for review by firm management. What are they doing with the information? Nearly four in five firms (77%) use profitability data

to assess partner performance. About 60% use it to analyze the profitability of individual clients. Only 55% of firms use profitability data to manage practice groups. We would like to see all three numbers increase. Firms of any size can and should be analyzing their internal data to inform decision making at all levels.

It's been said that you'll get more of what you reward. Forty-eight percent of firms are rewarding efficiency and profitability in compensation decisions and of those, 62% said it has resulted in a significant improvement in firm performance. We recommend more of the same.

Increased volume of legal work

Six in ten firms (60%) met or exceeded their total billable hours budget in 2018, up from 51% in last year's survey. Moderate increases in demand, coupled with slow hiring over the last several years, combined to generate greater overall productivity.

Demand for law firms' services had been relatively flat for years. In a low-growth environment, firms invested heavily in business development, in hopes that more lawyers would step up their client acquisition efforts. Obviously, the continual acquisition of new clients is essential to long-term sustainability.

Unfortunately – but in our experience, predictably – widespread attention (through planning efforts and firm incentives) and new investments (by hiring more business development managers, coaches and trainers, for example) have so far failed to deliver the hoped-for gains. Nearly two-thirds of firms (64%) have spent more on business development, but to date, only 42% of those firms have seen the investments pay off in any meaningful way. Rather than spreading resources across your firm's entire lawyer population, where much of it will be wasted, we recommend directing budget and resources to proven originators and those lawyers who have shown the aptitude and will to generate new business. In other words, make selective investments in cohorts of lawyers who know or can learn what to do and who have a high likelihood of success.

Most of the 78% of firms that have created a more collaborative culture say that improved collaboration has resulted in improved firm performance. We recommend that firms push hard in this direction and align their compensation systems to reward rather than deter collaborative business development and client service.

Firms continue to pursue laterals, groups of laterals and small firm acquisitions as a means of buying market share, with mixed results. We emphasize the need for well-coordinated recruiting processes, driven by clearly articulated needs as well as opportunistic flexibility. In our experience, vetting of candidates and speed of decision making has improved in many firms; better on-boarding and integration is still necessary to improve the overall success rate.

Lower overhead costs

Historically in law firms, about 80% of every fee dollar has gone to pay people, with the second most significant expense being rent/lease/occupancy expense. Firms have made great strides in cutting expenses in the two main expense categories. Most firms (55%) have reduced staff and many have closed underperforming offices or moved into cheaper space. All of those moves have generated improved financial performance in a majority of firms that have made them.

Of course, the opportunity to move an office or renegotiate a lease only comes around so often. Ongoing investments can and should be made to substitute technology for support staff, thereby improving lawyer-to-staff ratios as well as lawyer support and client service. Forward-looking firms will continue to redefine legal support functions in terms of what technology to buy, what kind of people to hire and where to put them.

3. Key Resources

Key resources in a law firm include people, brand, technology, information / knowledge and capital. We have been reporting for years that US law firms employed too many lawyers – more than were required to handle the total amount of work being performed. Although 84% of firms still say they have chronically underperforming lawyers and 56% report that overcapacity is hindering overall profitability (74% of large firms), the overall picture is markedly improved. Most firms (71%) have taken measures to hold their lawyers accountable for achieving certain performance standards; two-thirds of firms (67%) have reduced their number of underperformers; and, nearly half (45%) have successfully removed most or all underperformers from the payroll.

Of all the tactics law firm leadership teams have pursued in recent years to improve performance, almost nothing has succeeded like removing chronic underperformers

from their firms. Of those firms that removed underperformers, 82% reported significant associated improvements in firm performance.

Forty-one percent of firms think their brand or reputation gives them a significant advantage over competitors. We suggest that as firms continue to define, promote, require and demonstrate excellence from top to bottom – meaning all their lawyers, all the time – their reputations will only improve.

4. Key Processes

Carefully designed processes help a firm manage its resources effectively. Especially in lower-rate practice areas, professional process management can be the key driver of margins.

Most firms have gotten the message that work should be performed at the lowest capable level to improve margins without compromising work product or service quality. Many firms are using staff lawyers (42% of firms), contract lawyers (48%), part-time lawyers (57%) or a combination of these. Forty percent have shifted some work from lawyers to paraprofessionals. At least half of all firms using each of those tactics have reported significant improvements in firm performance as a result.

Fixing underperformance means more than just dealing with underperforming lawyers, although that is necessary. It also means not taking on unprofitable work, firing unprofitable clients, ramping up collection efforts and the like. We have seen firms realize substantial improvements in firm performance, even on flat revenues, by earnestly managing intake and financial hygiene. Rigorous oversight from matter acceptance through collection of the final bill is an absolute must.

About half of the survey respondents (48%) reported using technology tools to replace human resources in order to increase efficiency of legal service delivery. We think technology and staff can be used more effectively in most firms to improve service and throughput with greater transparency and lower cost. Only 15% of firms have created a low-cost service center for back-office functions, for example, but most of them have seen significant performance improvements as a result.

Most firms (62%) that have moved toward rewarding efficiency and profitability (not just absolute revenue) in partner compensation decisions have seen consequent improvements in performance. However, few firms have made serious attempts to

systematically reengineer work processes (22%) or implement formal knowledge management programs (28%). We recommend working with willing volunteers to demonstrate proof of concept in these areas, then rolling out proven formulas to other cooperative lawyers and groups.

Pricing continues to evolve and take on greater importance. Most firms (64%) say they are collaborating with clients on creative alternative fee options. Forty-two percent have trained their lawyers to talk with clients about pricing. Three in ten (30%) have added a pricing director or assigned pricing support responsibilities to a staff member. Larger firms are way ahead of smaller firms in all aspects of pricing innovation.

Practice Group Leadership

As we have counseled firms for many years, it is necessary to be a firm of leaders, not just with a leader. In our experience, a firm can never have too many leaders and rare is the firm that has enough good ones. In particular, we believe that improved leadership of firms' practice groups and industry teams is absolutely essential to achieving real improvements in all the areas addressed in this year's survey.

A majority of firms appear to be doing the right things in this regard. Sixty-four percent of firms are appointing practice leaders based on their leadership capability (rather than on seniority, popularity, ego or book of business) and 61% require a significant time investment by practice leaders. We endorse both of these tactics, and both are rated highly in effectiveness.

Most firms have developed clear job descriptions for practice leaders (56%), are providing leadership training to practice group heads (56%), and require business plans at the practice/industry group level (64%). We recommend doing all of these things.

Implementation of practice group goals can be improved by agreeing on a few highly important goals or priorities, with a designated champion for each, translating each goal immediately into action steps with specifically assigned responsibilities and deadlines, tracking whether the assigned actions are actually taking place and scheduling brief check-in meetings to discuss progress and next steps. When groups go off track it is often because their plans are too long or overly ambitious,

they lack shared urgency and importance around the goals to be achieved, or there is insufficient accountability.

Each of these principles of effective practice group leadership is applicable at all levels of law firm leadership.

Leading Change

A leader's job is to move the firm forward and make it better. This usually requires a certain sense of urgency, which can be driven by internal factors like declines in performance or the loss of key clients or partners, or by external threats of competition, market change or economic uncertainty. However, after a few good years in a row, firms and their leaders can easily become a little complacent.

How worried are law firm leaders right now? Not very, according to the survey. On a scale of 0 (not at all concerned) to 10 (existential threat), no potential threat rated higher than 6 on average. Few law firm leaders see any existential threats at all. The threat of competition from larger firms with more resources averaged only 5.6. The threat from differentiated firms with seemingly more to offer averaged only 5.3. The threat of losing key partners barely registered. On a 0 to 10 scale, the level of seriousness among law firms to change their legal service delivery model remained constant at a median rating of 5 for the seventh year in a row.

Fear can be a useful driver of change. Without it, leaders have to find other ways to motivate their partners to embrace new policies, procedures, systems and behaviors to improve efficiency, service quality and pricing to meet client expectations and demands.

In a new question in the 2019 survey, we asked firm leaders what they've done to effectively lead change in their firms. The two most effective tactics reported were to create a culture of collaboration at all levels in the firm and to put forward-looking leaders in key roles. Another top response was to actively solicit ideas for process and service improvements – which in our experience will often come from paralegals and staff, not from lawyers. Each of these tactics can be implemented by firms of any size or level of sophistication.

A tactic that is less often used but shows potential for effectiveness is to actively collaborate with clients on change efforts. Whenever you can bring your key clients

into the conversation about change, you will not only learn more about what they value but also solidify those relationships and strengthen your firm.

We know that law firm leaders can encounter stiff resistance when trying to lead change in their organizations. In 69% of firms, partners' resistance to change is an embedded drag on progress, and recent economic successes may obscure any clouds on the horizon – at least for the short-sighted.

However, it is the leader's job to make the case for change and set the firm's sights on a longer-term horizon, weighing each threat and finding the right opportunities. Are your firm and its practices clearly differentiated in clients' eyes based on useful strengths – and are those strengths sustainable? Are you well positioned to withstand the next economic downturn? Do you have work to do to assure your firm's long-term viability? Marshall the facts and make your case.

Conclusion

The 2019 *Law Firms in Transition Survey* shows that many firms have adapted reasonably well to the post-recession decade of intense competitive pressures and clients' changing expectations. Most firms reported financial performance gains in a strong 2018 economy. We commend their efforts.

Firms are increasingly recognizing the benefits of having capable leaders and a high level of collaboration within the firm and with clients. We believe continued focus on leadership development and on collaboration (not only in serving clients but in all facets of firm operations) will yield positive results and contribute to law firms' sustainability.

Looking ahead, clients' calls for increased value and lower cost will continue, requiring attention by law firms to improvements in pricing, staffing, technology utilization, project management, efficiency of service delivery, knowledge management, communication, and the like.

As has been the case for years, law firms' success will be driven by their ability to meet the changing requirements of the marketplace. Firms that can craft smart, client-focused strategies and execute on them rapidly are likely to achieve competitive advantages. Moreover, firms that can build flexibility, scalability and resilience into their business models will create sustainable advantages for the long-term.

Survey Methodology

Conducted in March and April 2019, the *Law Firms in Transition Survey* polled Managing Partners and Chairs at 810 US law firms with 50 or more lawyers. Completed surveys were received from 362 firms (45%), including 49% of the 500 largest US law firms and 46% of the AmLaw 200.

A complimentary copy of the full survey can be downloaded at www.altmanweil.com/LFiT2019.

Special reports based on law firm size ranges are available exclusively to survey participants.

May 2019
Altman Weil, Inc.

 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."

Eric A. Seeger is a principal of Altman Weil, Inc. He works with law firms in the areas of strategy formulation and execution, practice group planning and practice leader training, merger search, organizational issues and retreats. Mr. Seeger directs Altman Weil's market research department. Over the years he has managed hundreds of strategic research projects for law firms and legal vendors.

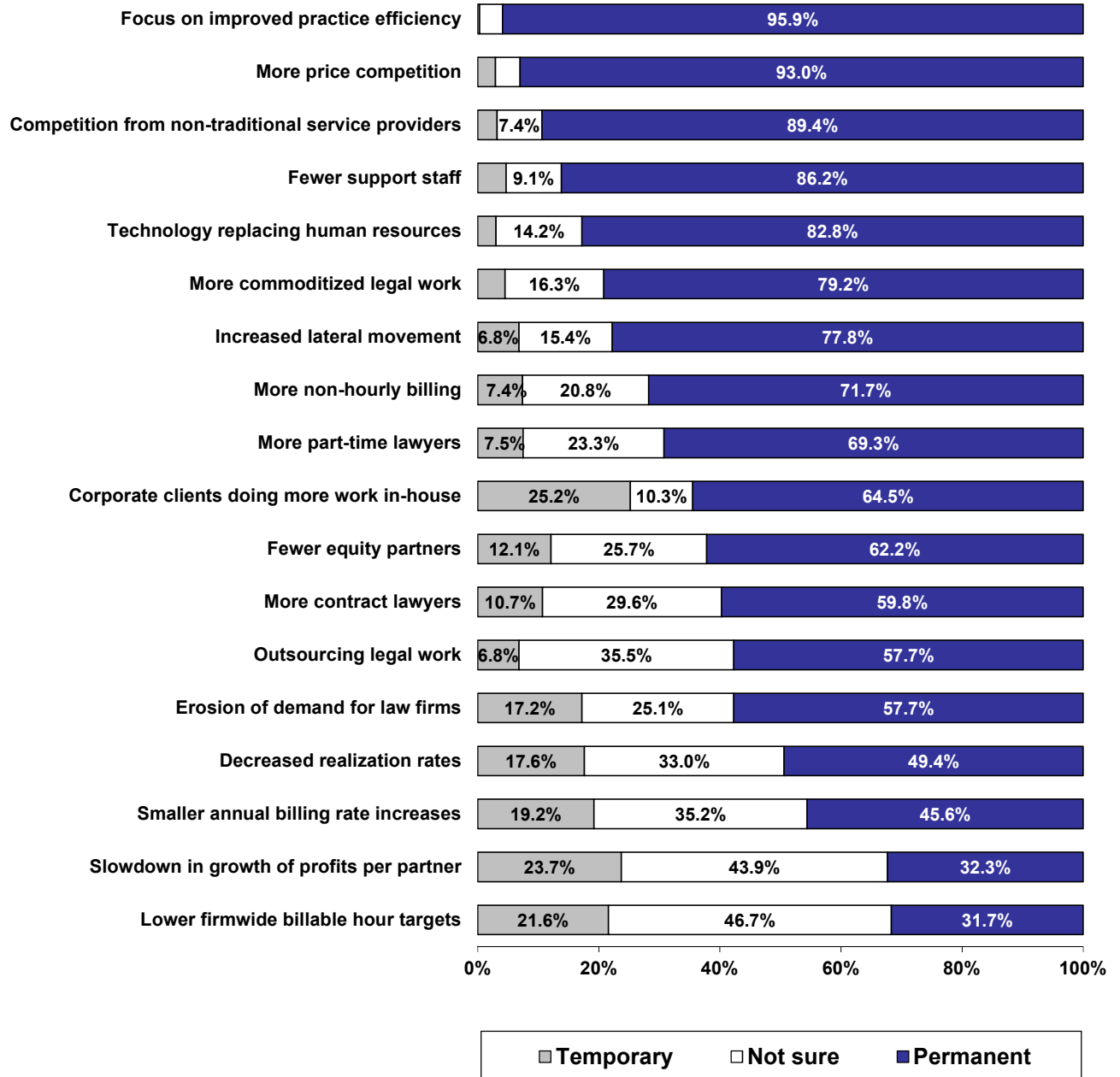
Mr. Seeger has held positions as Chief Operating Officer of a regional law firm and Director of Strategic Planning and Practice Group Management at an AmLaw 200 firm. Prior to joining Altman Weil, he worked as an independent consultant to law firms and corporate executives, performed market analysis 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.

Law Firms in Transition: 2019 Trends

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



Law Firms in Transition: Trends 2009-2019

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

	% OF FIRM LEADERS SAYING TREND IS PERMANENT										
	09	10	11	12	13	14	15	16	17	18	19
Focus on improved practice efficiency	na	na	94	96	96	94	93	93	94	94	96
More price competition	42	89	90	92	96	94	94	95	95	96	93
Non-traditional competitors	na	na	70	73	79	82	83	82	79	85	89
Fewer support staff	na	na	88	81	90	89	83	88	89	90	86
Tech replacing human resources	na	na	na	na	na	85	84	85	84	86	83
More commoditized legal work	26	66	81	84	90	89	89	88	84	84	79
Increased lateral movement	na	na	na	na	73	75	75	74	71	72	78
More non-hourly billing	28	79	75	80	80	82	81	78	79	79	72
More part-time lawyers	na	na	na	na	71	74	73	73	70	67	69
Corp. clients do more work in-house	na	na	na	na	na	na	na	69	65	65	65
Fewer equity partners	23	63	68	68	72	74	70	60	68	68	62
More contract lawyers	28	52	60	66	75	72	72	68	70	61	60
Outsourcing legal work	12	28	41	46	46	51	52	52	54	51	58
Erosion of demand for law firms	na	na	na	na	na	na	na	62	66	65	58
Decreased realization rates	na	na	na	na	na	na	52	63	60	60	49
Smaller annual billing rate increases	na	na	57	62	68	68	60	66	64	51	46
Slowdown in Profit per Partner growth	13	27	16	48	56	58	45	47	47	39	32
Lower firmwide billable hour targets	na	na	na	na	na	na	na	na	na	32	32
Reduced leverage	12	42	45	58	57	65	56	54	57	na	na
Smaller first-year classes	11	42	40	55	62	60	61	63	57	na	na

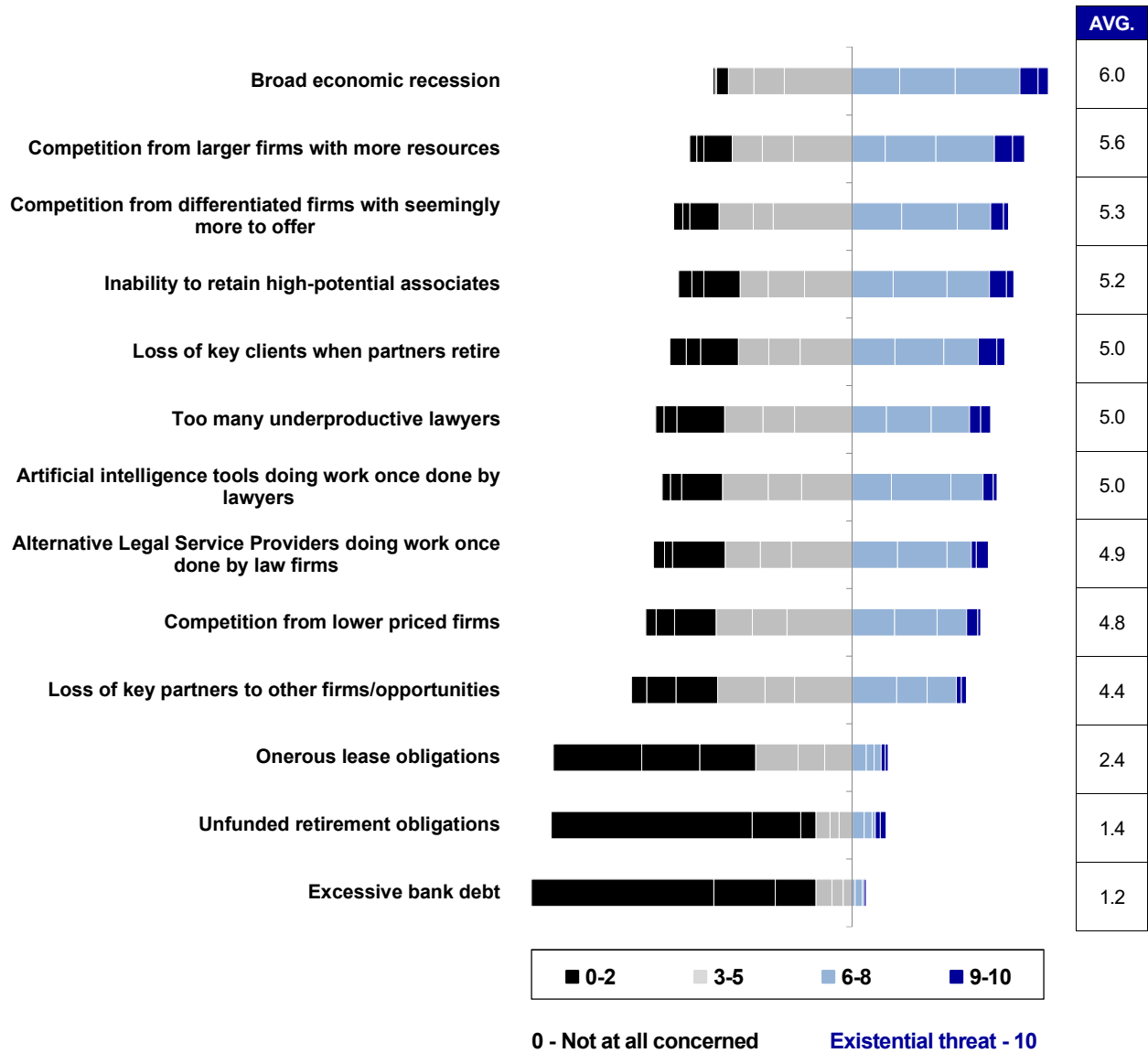
na = not asked

Highlighted = peak year

Market Forces: Future Threats

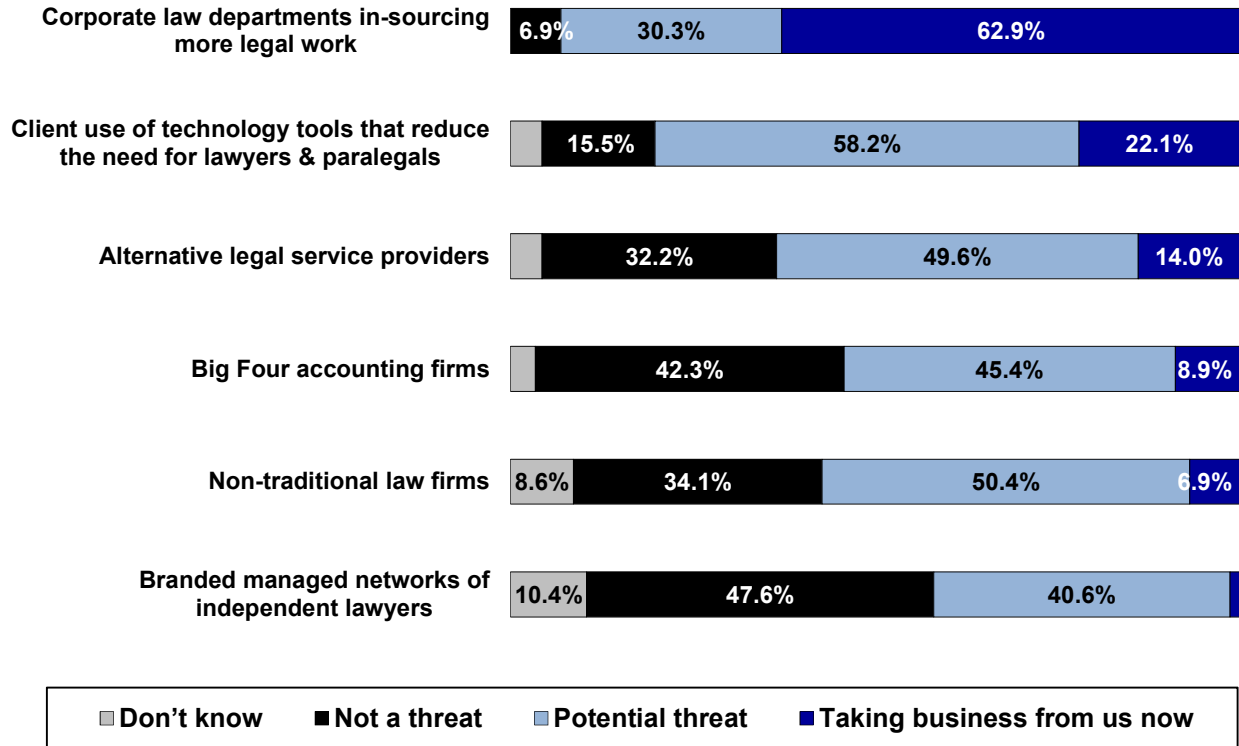
NEW

Q: How concerned are you that the following market forces will negatively affect your law firm in the next five to ten years? Rate on a scale of 0 to 10.



Market Forces: Competition from Non-Traditional Sources

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



Alternative legal service providers: "Non-law firm providers of legal and quasi legal services."

Non-traditional law firms: "Virtual firms, flat fee only, partners only, tech heavy, etc."

Market Forces: Competition from Non-Traditional Sources

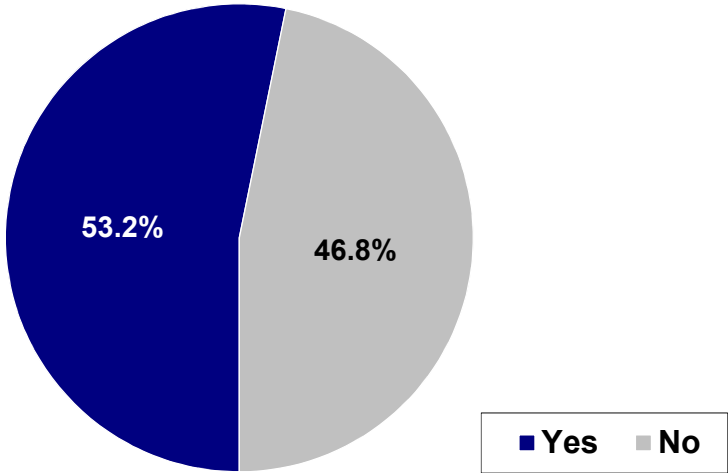
Q: Aside from your traditional law firm competitors, is your firm losing any business to other providers of legal services?

Comparison by firm size:

	Don't know	Not a threat	Potential threat	Taking work from us now
LAW DEPARTMENT IN-SOURCING				
Under 250 lawyers	0.0%	6.9%	32.7%	60.4%
250 lawyers or more	0.0%	6.7%	23.3%	70.0%
CLIENT USE OF TECHNOLOGY				
Under 250 lawyers	5.0%	17.7%	55.8%	21.5%
250 lawyers or more	2.2%	9.0%	65.2%	23.6%
ALTERNATIVE LEGAL SERVICE PROVIDERS				
Under 250 lawyers	4.2%	36.4%	48.3%	11.1%
250 lawyers or more	4.4%	20.0%	53.3%	22.2%
BIG FOUR ACCOUNTING FIRMS				
Under 250 lawyers	4.2%	48.1%	41.2%	6.5%
250 lawyers or more	1.1%	25.6%	57.8%	15.6%
NON-TRADITIONAL LAW FIRMS				
Under 250 lawyers	9.2%	34.6%	49.2%	6.9%
250 lawyers or more	6.7%	32.6%	53.9%	6.7%
BRANDED MANAGED NETWORKS OF INDEPENDENT LAWYERS				
Under 250 lawyers	10.1%	45.5%	43.2%	1.2%
250 lawyers or more	11.1%	53.3%	33.3%	2.2%

Market Forces: Law Firm Competitors

Q: Many law firms look the same to prospective clients – they do not project a distinct and compelling value that differentiates them from other similar firms. In your most candid assessment, do you believe your law firm is clearly and specifically differentiated from competitor law firms?



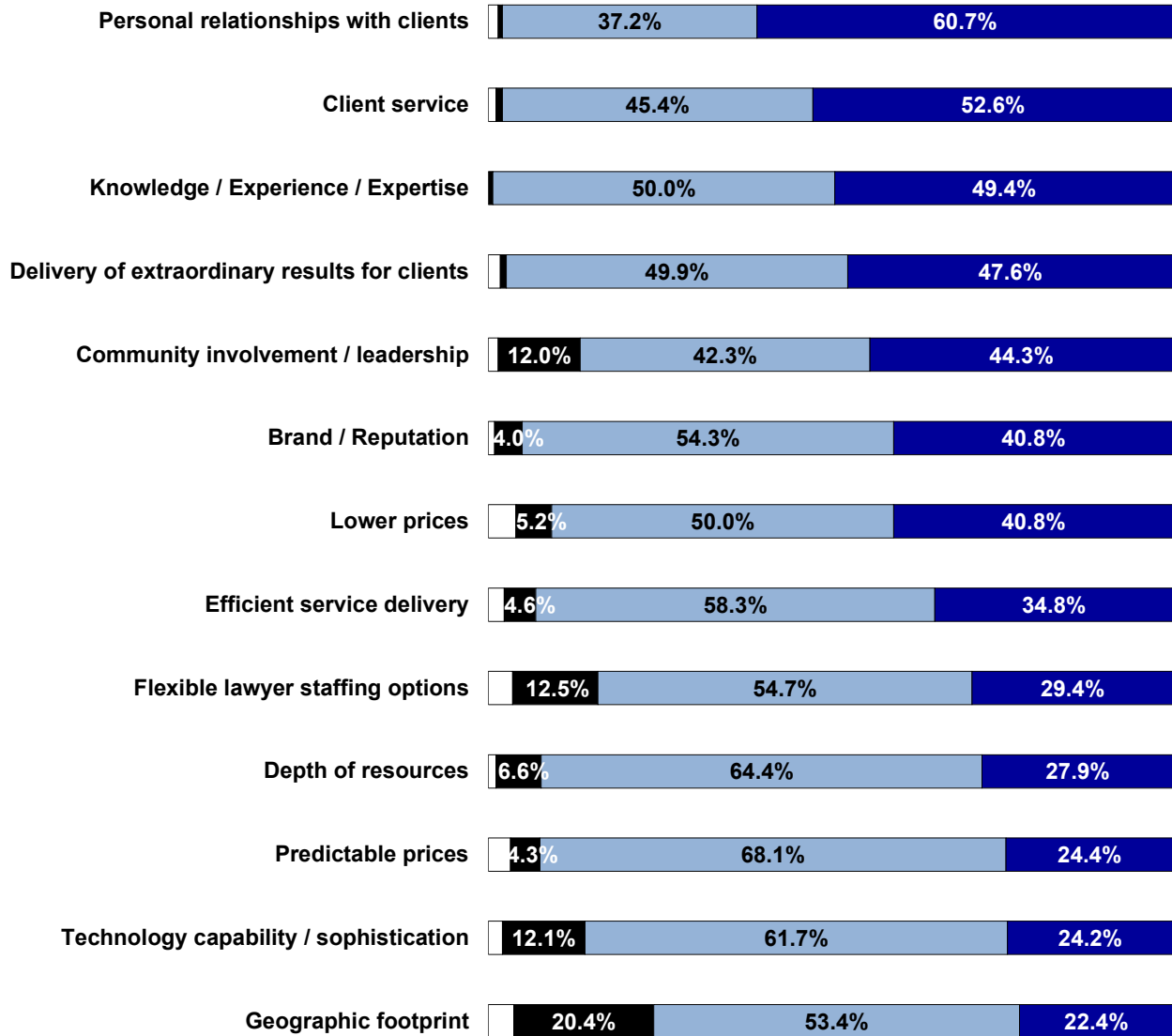
Comparison by firm size:

	YES	NO
Under 250 lawyers	51.8%	48.2%
250 lawyers or more	57.5%	42.5%

Market Forces: Competitive Differentiation

NEW

Q: Compared to your primary competitors, how would you assess your firm on each of the following potential differentiators?



Don't know
 Significantly behind
 About the same
 Significantly ahead

Market Forces: Competitive Differentiation

NEW

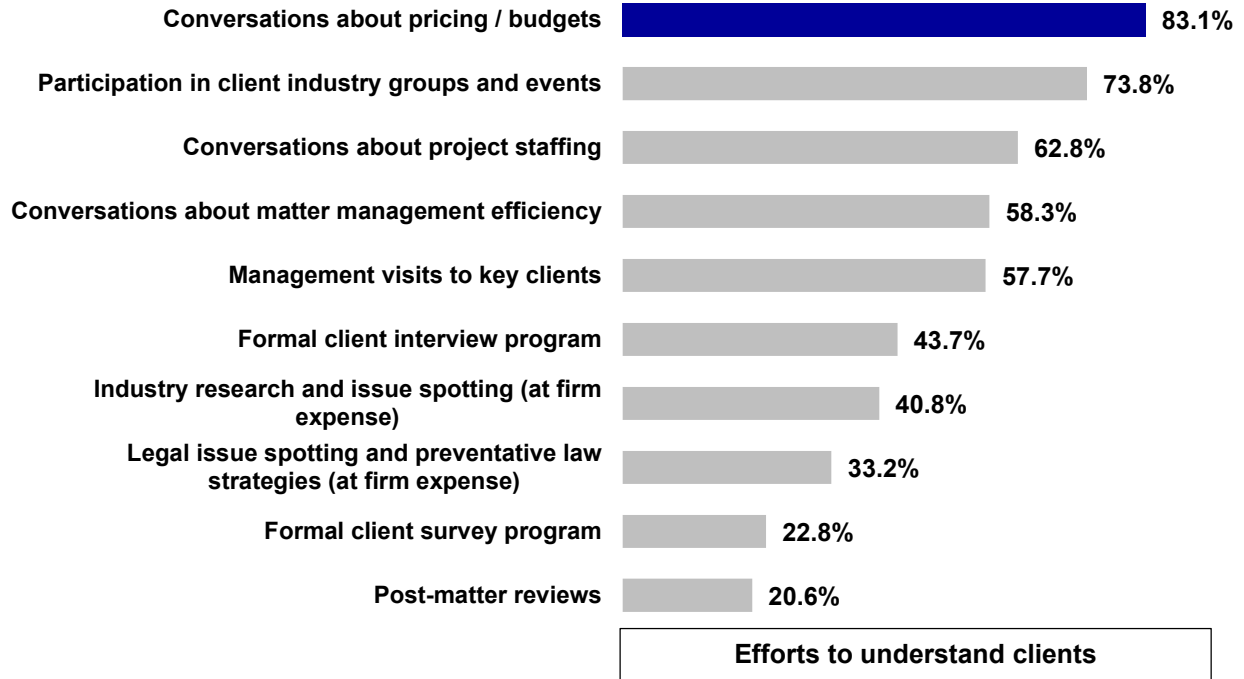
Q: Compared to your primary competitors, how would you assess your firm on each of the following potential differentiators?

Comparison by firm size of those saying they are 'Significantly ahead:'

	Under 250 lawyers	250 lawyers or more
Personal relationships with clients	63.6%	52.3%
Client service	53.1%	51.1%
Knowledge / Experience / Expertise	51.9%	41.9%
Delivery of extraordinary results for clients	49.6%	41.6%
Community involvement / leadership	44.4%	43.8%
Brand / Reputation	44.1%	31.0%
Lower prices	43.5%	33.0%
Efficient service delivery	35.4%	33.0%
Flexible lawyer staffing options	28.7%	31.4%
Depth of resources	25.4%	35.2%
Predictable prices	25.8%	20.5%
Technology capability / sophistication	24.3%	23.9%
Geographic footprint	17.7%	36.4%

Market Forces: What Clients Want

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



Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Conversations about pricing / budgets	78.2%	97.8%
Participation in client industry groups and events	72.2%	78.7%
Conversations about project staffing	57.5%	78.7%
Conversations about matter management efficiency	50.4%	82.0%
Management visits to key clients	50.4%	79.8%
Formal client interview program	36.1%	66.3%
Industry research and issue spotting (at firm expense)	37.2%	51.7%
Legal issue spotting/preventative law (at firm expense)	29.7%	43.8%
Formal client survey program	17.3%	39.3%
Post-matter reviews	15.4%	36.0%

Market Forces: Demand

Q: Over the last three years, how has demand for your law firm's services changed each year?



Down each year
 Flat
 Mixed
 Up each year

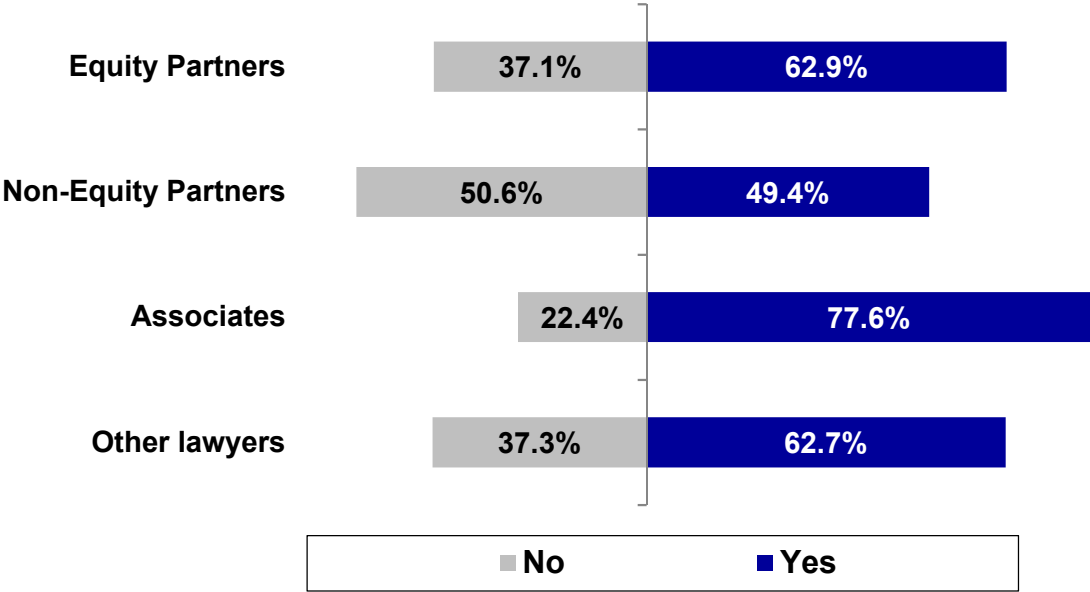
Market demand, last three years

Comparison by year:

	Down each year	Flat each year	Mixed	Up each year
2019	3.9%	16.6%	30.9%	48.6%
2018	5.4%	22.1%	32.4%	40.1%

Productivity: Lawyer Staffing Levels

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



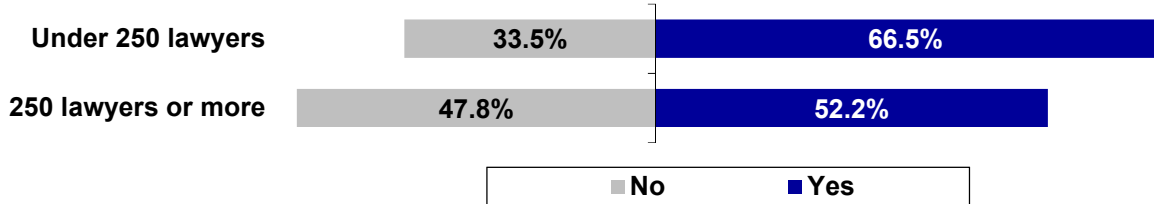
Comparison by year of those firms in which lawyers are 'Sufficiently busy':

	2018	2019
Equity Partners	49.0%	62.9%
Non-Equity Partners	40.9%	49.4%
Associates	74.2%	77.6%
Other Lawyers	59.3%	62.7%

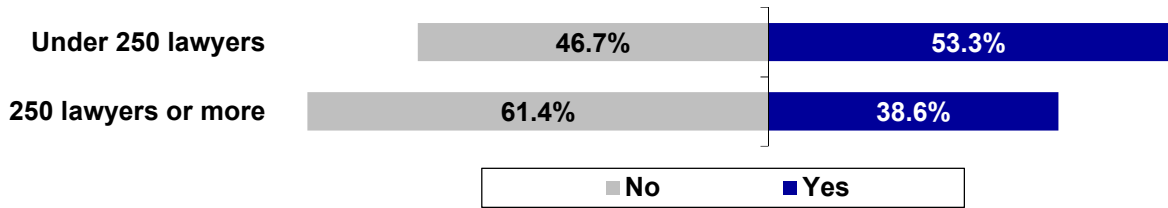
Productivity: Lawyer Staffing Levels

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

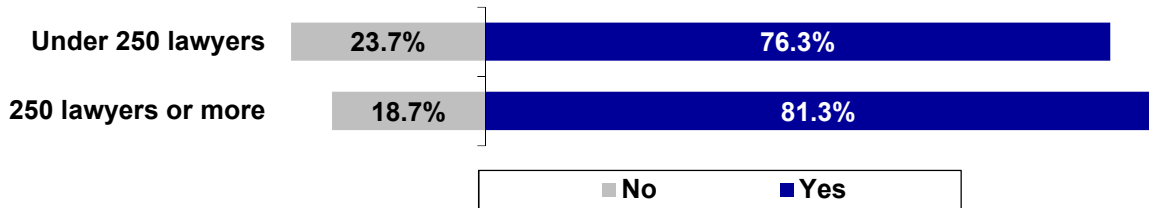
EQUITY PARTNERS – BY FIRM SIZE



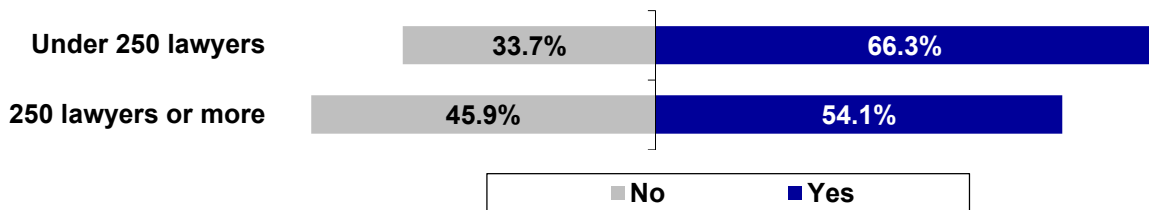
NON-EQUITY PARTNERS – BY FIRM SIZE



ASSOCIATES – BY FIRM SIZE

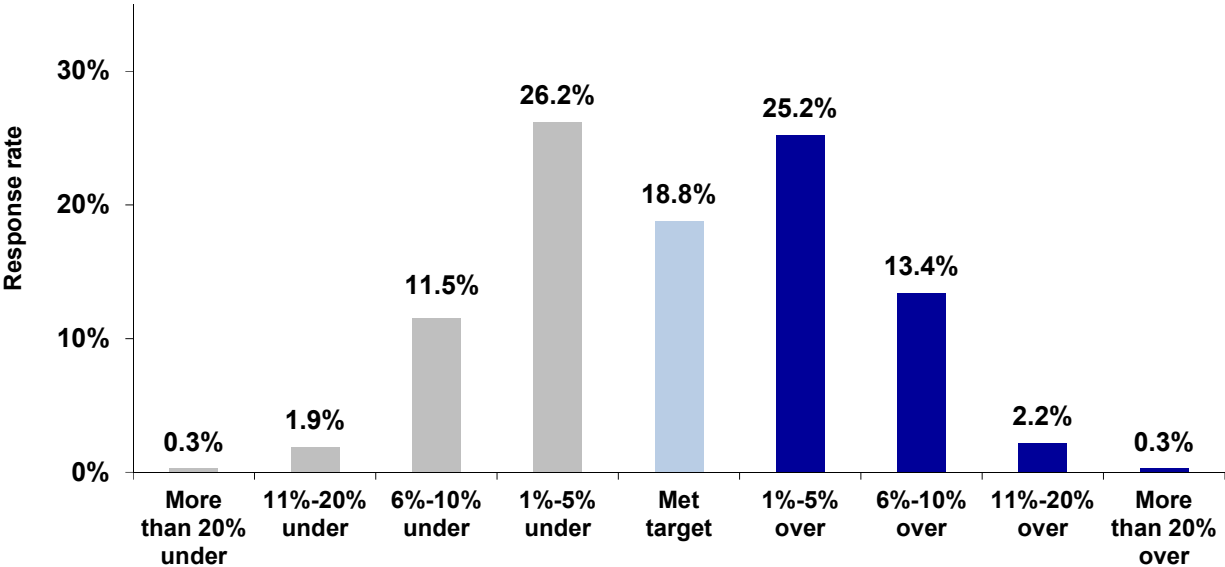


OTHER LAWYERS – BY FIRM SIZE



Productivity: 2018 Annual Billable Hour Targets

Q: In 2018, how did your firm perform against its target for total annual billable hours?



Performance against annual billable hour targets

Comparison by firm size:

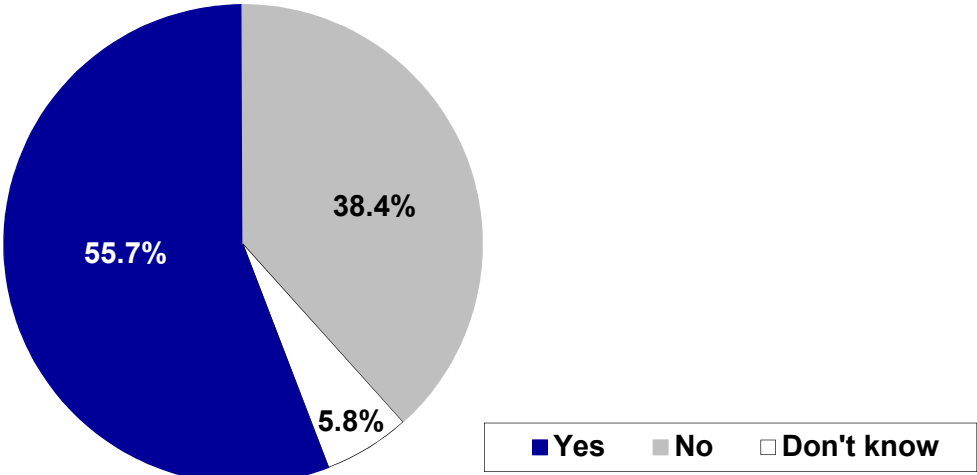
	UNDER	MET TARGET	OVER
Under 250 lawyers	44.1%	18.2%	37.7%
250 lawyers or more	27.3%	20.8%	51.9%

Comparison by year:

	UNDER	MET TARGET	OVER
2018 hours	39.9%	18.8%	41.1%
2017 hours	48.8%	21.0%	30.1%

Productivity: Overcapacity

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



Comparison by firm size:

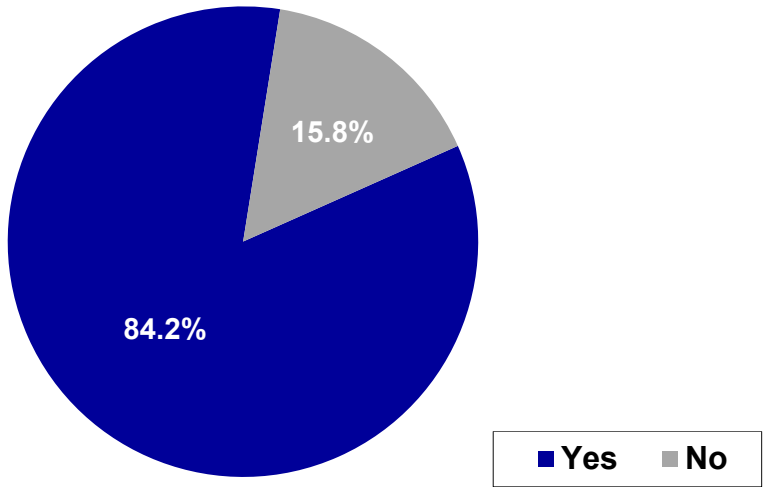
	Yes	No	Don't know
Under 250 lawyers	49.4%	44.2%	6.4%
250 lawyers or more	73.9%	21.7%	4.3%

Comparison by year:

	2015	2016	2017	2018	2019
YES	60.6%	59.5%	60.8%	57.8%	55.7%

Productivity: Under-Performing Lawyers

Q: Does your firm currently have any chronically under-performing lawyers?



Comparison by firm size:

	Yes	No
Under 250 lawyers	82.2%	17.8%
250 lawyers or more	90.2%	9.8%

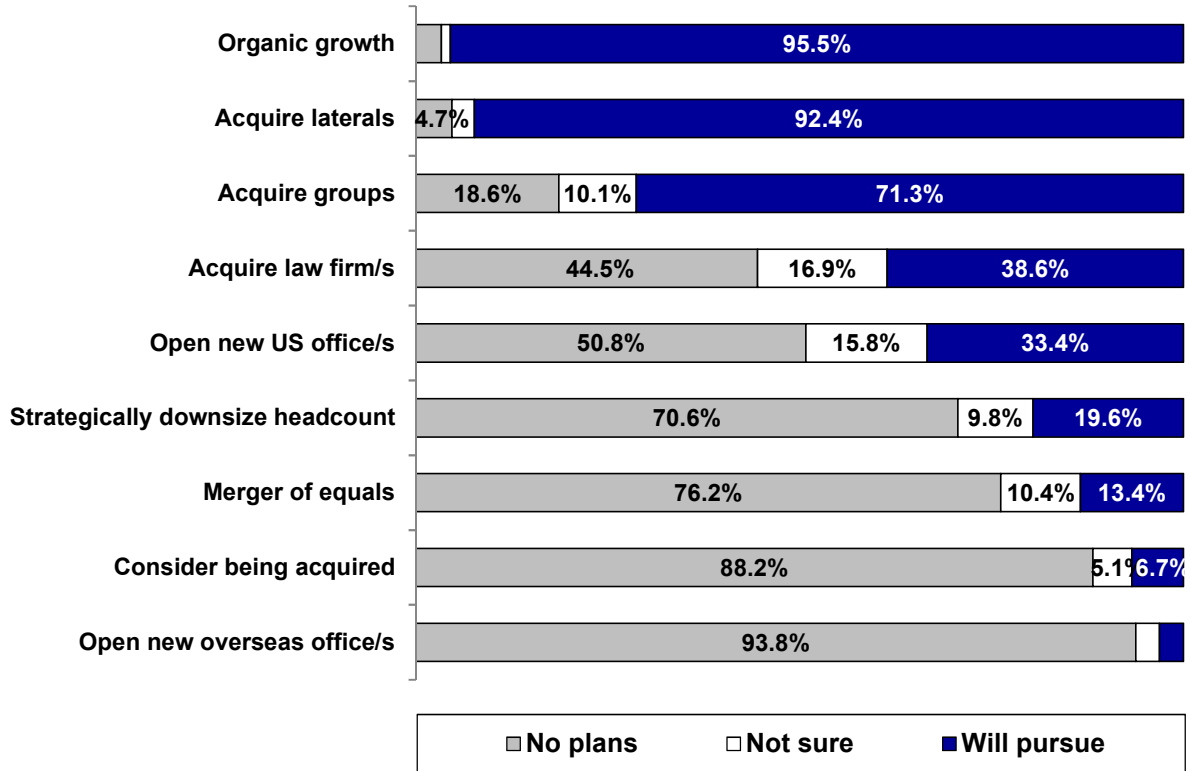
Comparison by year:

	2017	2018	2019
YES	87.9%	83.2%	84.2%

Growth Options

NEW

Q: What growth options, if any, will your firm pursue in 2019?



Growth Options

NEW

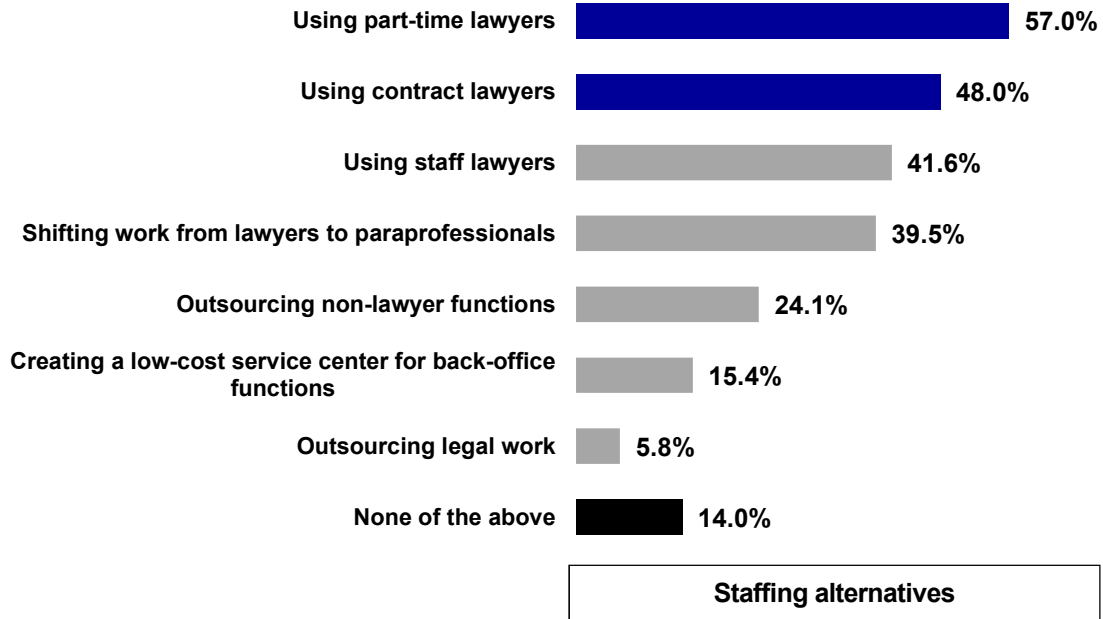
Q: What growth options, if any, will your firm pursue in 2019?

Comparison by firm size of those firms that 'Will pursue' each option:

	Under 250 lawyers	250 lawyers or more
Organic growth	95.2%	96.5%
Acquire laterals	90.2%	98.8%
Acquire groups	65.2%	89.3%
Acquire law firm/s	34.2%	50.6%
Open new US office/s	29.1%	45.2%
Strategically downsize headcount	15.8%	31.1%
Merger of equals	14.0%	11.8%
Consider being acquired	7.6%	4.1%
Open new overseas office/s	0.9%	9.5%

Alternative Staffing Strategies

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

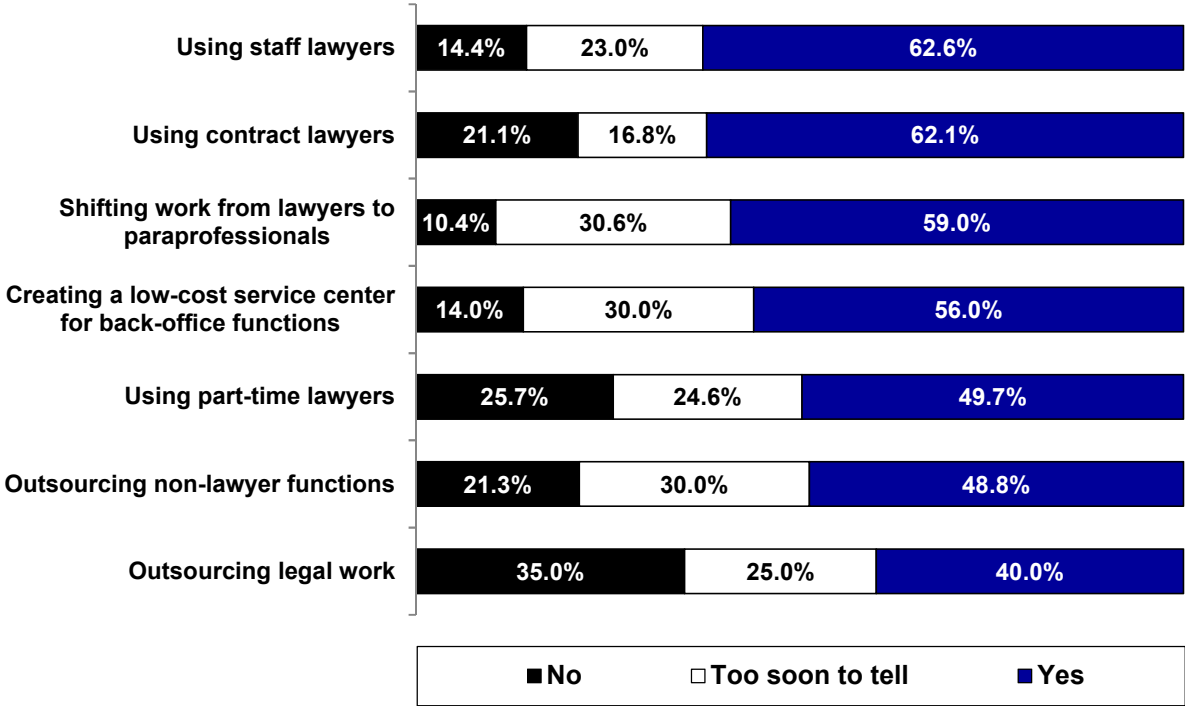


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using part-time lawyers	52.3%	70.5%
Using contract lawyers	40.2%	70.5%
Using staff lawyers	30.5%	73.9%
Shifting work from lawyers to paraprofessionals	36.3%	48.9%
Outsourcing non-lawyer functions	20.7%	34.1%
Creating a low-cost service center for back office	10.9%	28.4%
Outsourcing legal work	2.7%	14.8%
None of the above	16.0%	8.0%

Alternative Staffing: What Works

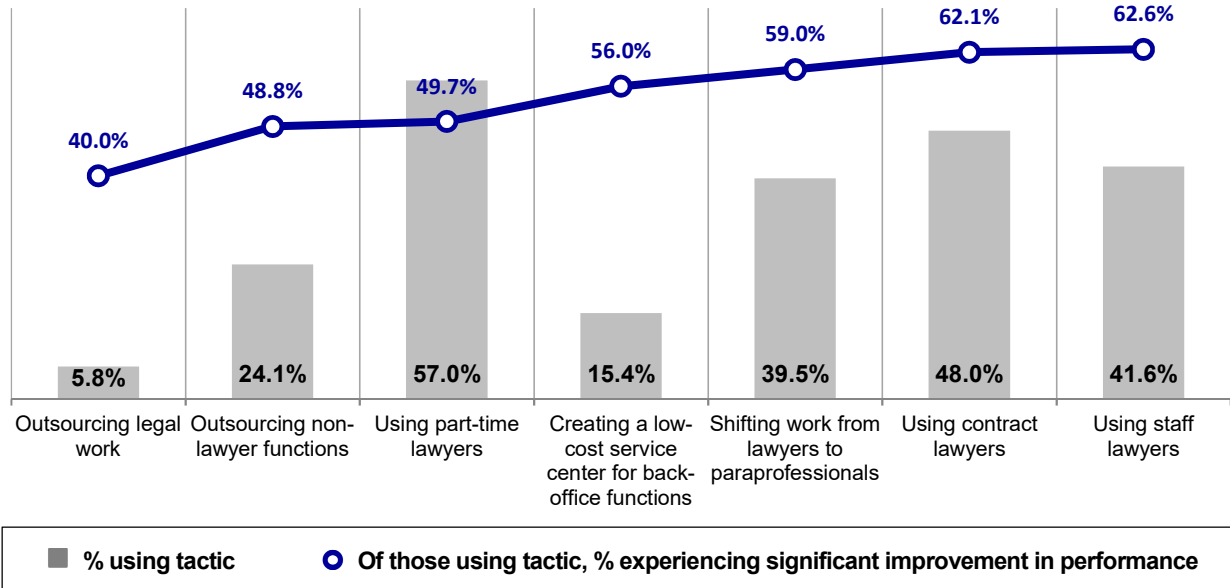
Q: For each of the alternative staffing tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



Alternative Staffing: What Works

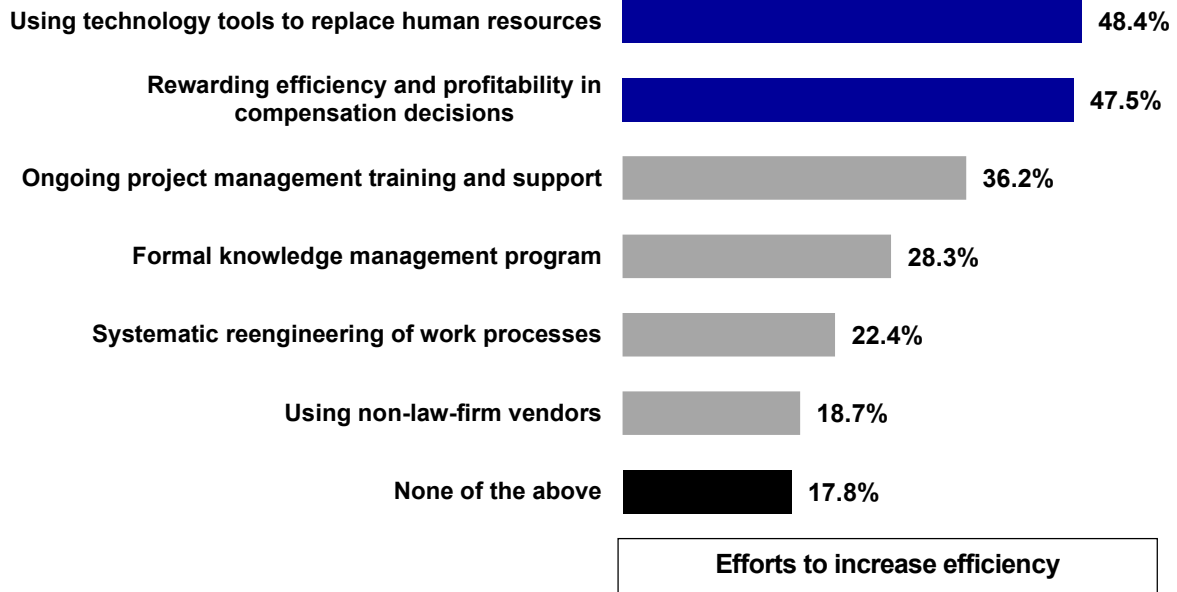
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Efforts to Increase Efficiency

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

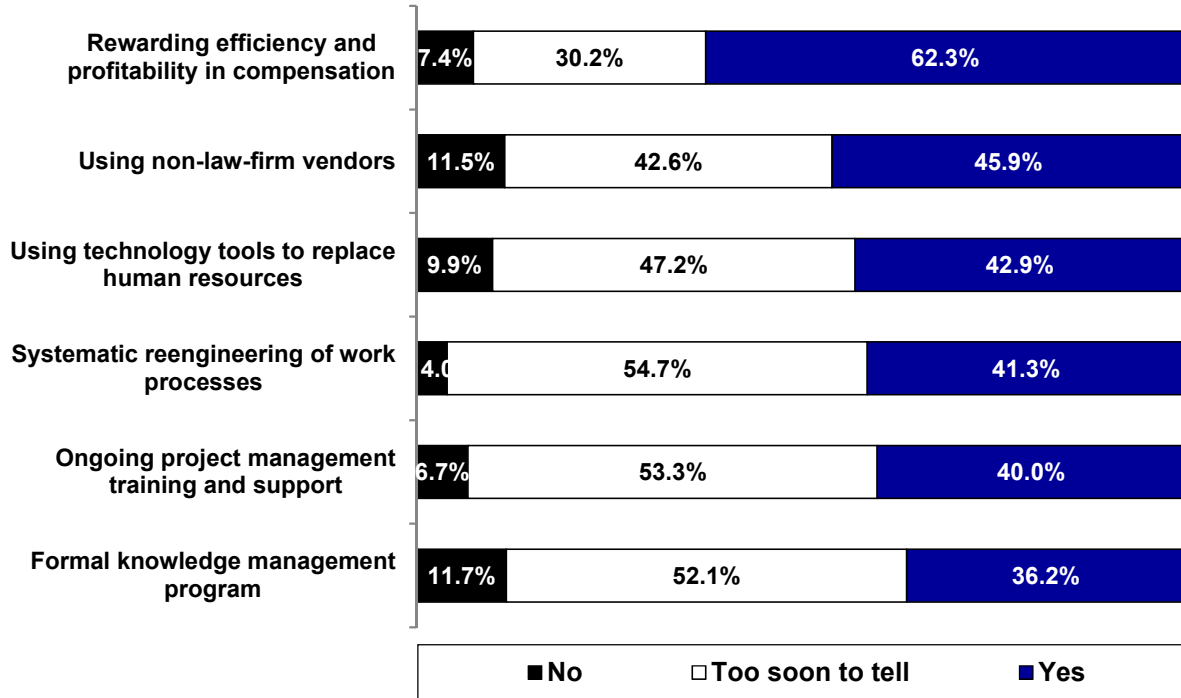


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using technology tools to replace human resources	43.1%	63.6%
Rewarding efficiency/profitability in comp decisions	42.0%	63.6%
Ongoing project management training and support	27.1%	62.5%
Formal knowledge management program	21.2%	48.9%
Systematic reengineering of work processes	17.3%	37.5%
Using non-law-firm vendors	14.1%	31.8%
None of the above	22.7%	3.4%

Efficiency Tactics: What Works

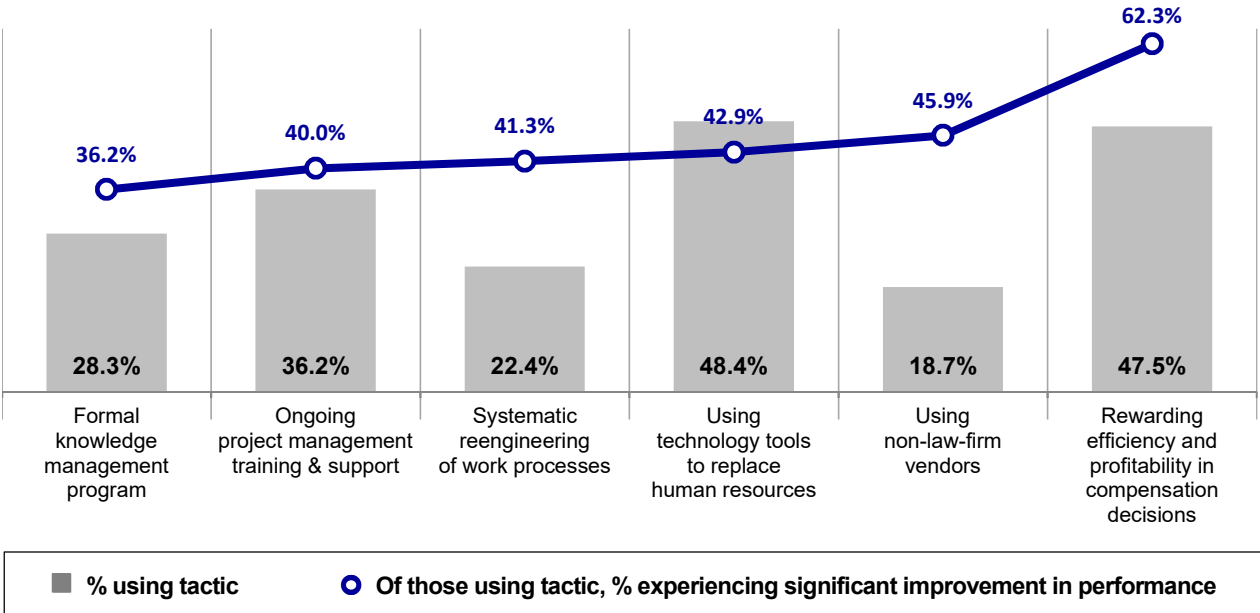
Q: For each of the legal service efficiency tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



Efficiency Tactics: What Works

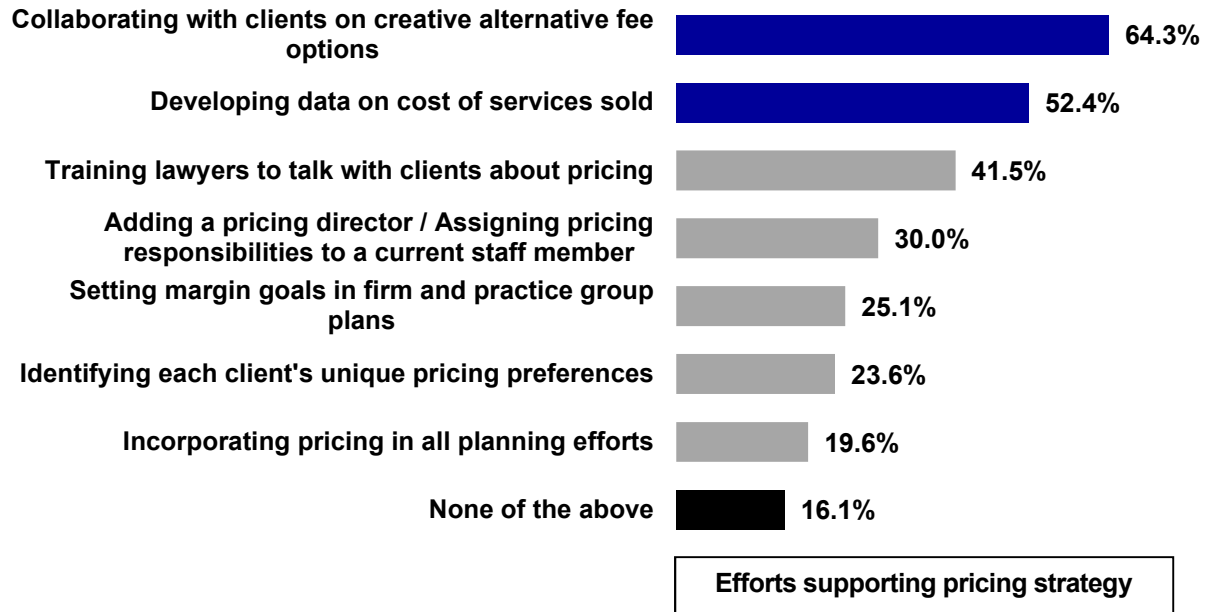
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Efforts to Support Pricing Strategy

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

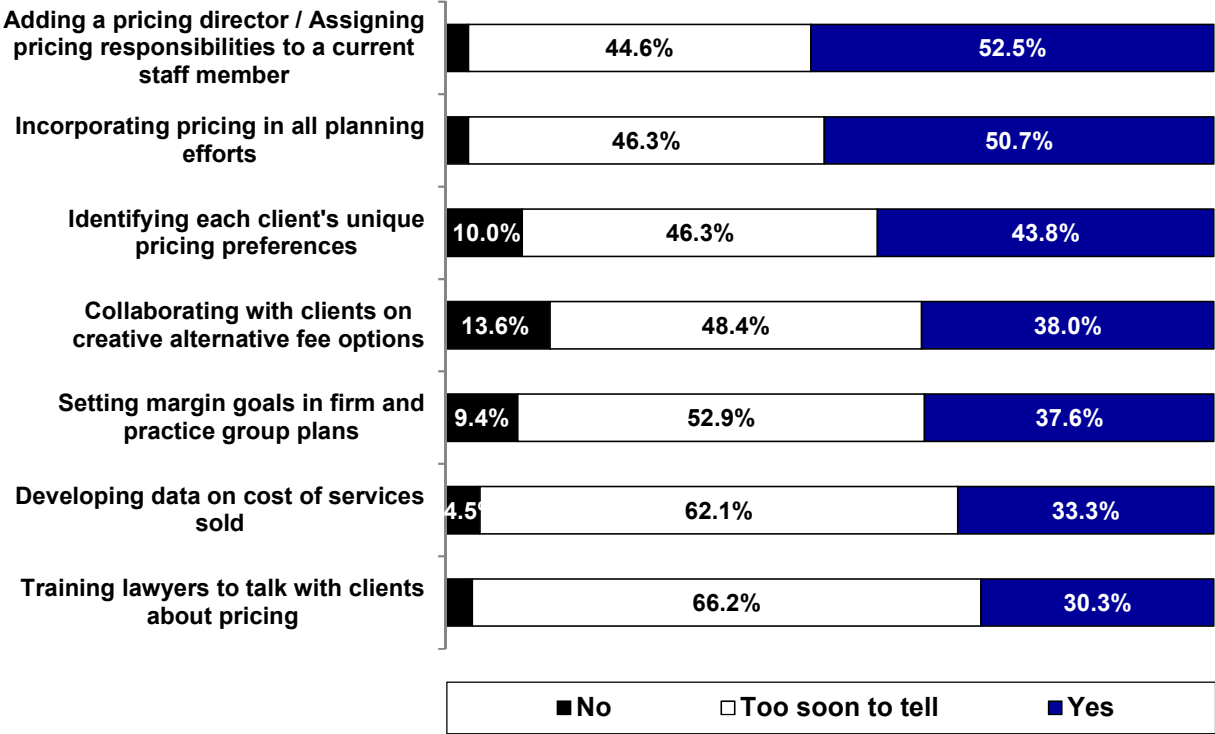


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Collaborating with clients on creative fee options	56.8%	85.6%
Developing data on cost of services sold	44.0%	76.7%
Training lawyers to talk with clients about pricing	35.4%	58.9%
Adding Pricing Director / Staff member	14.0%	75.6%
Setting margin goals in firm and practice group plans	16.7%	48.9%
Identifying each client's unique pricing preferences	19.0%	36.7%
Incorporating pricing in all planning efforts	15.2%	32.2%
None of the above	19.8%	5.6%

Pricing Tactics: What Works

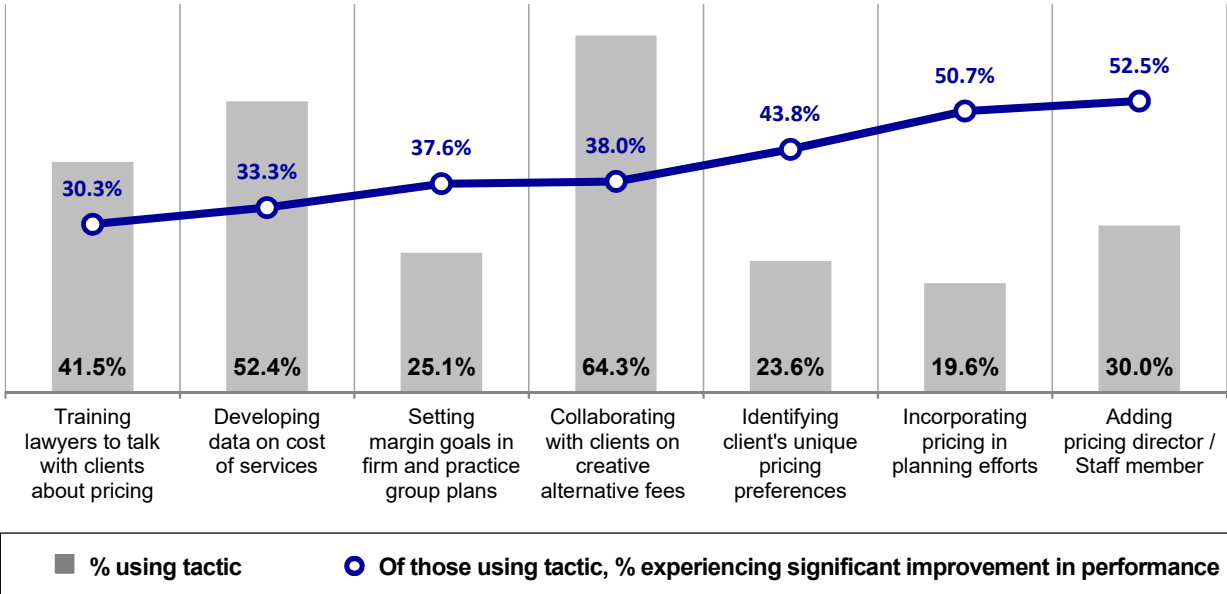
Q: For each of the pricing tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



Pricing Tactics: What Works

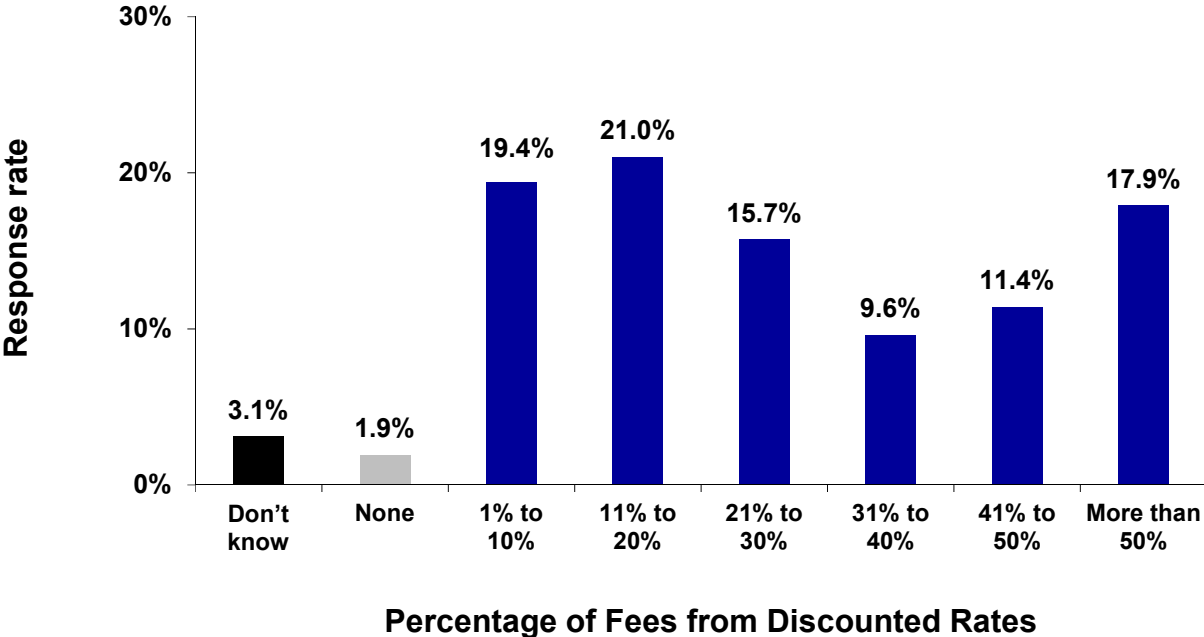
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Pricing: Discounts

Q: Please estimate approximately what percentage of your firm’s legal fees come from discounted hourly rates.



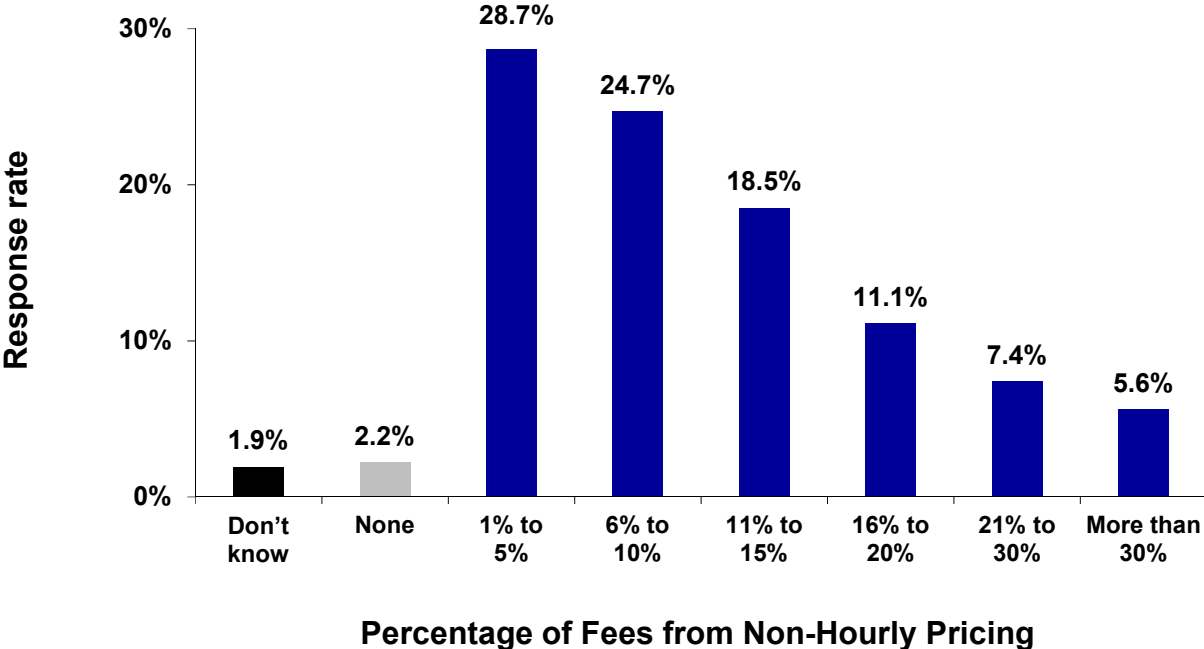
Median: 21% to 30%

Comparison of median results by firm size:

	MEDIAN
Under 250 lawyers	11% to 20%
250 lawyers or more	41% to 50%

Pricing: Alternative Fees

Q: Please estimate approximately what percentage of your firm’s legal fees come from non-hourly-based pricing.



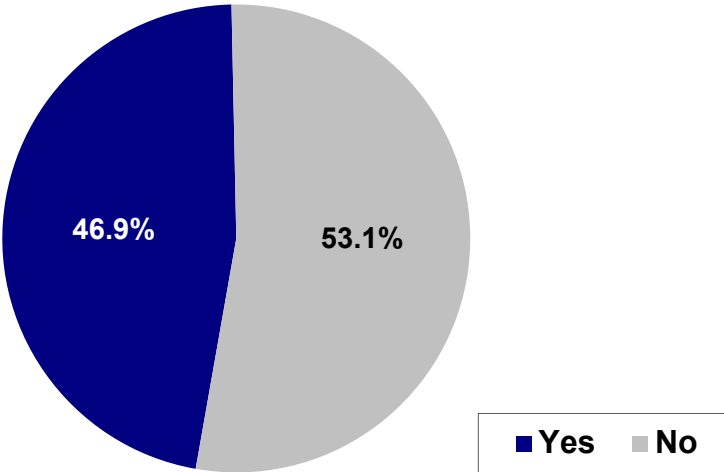
Median: 6% to 10%

Comparison of median results by firm size:

	MEDIAN
Under 250 lawyers	6% to 10%
250 lawyers or more	11% to 15%

Pricing: Alternative Fees Linked to Alternative Staffing

Q: In your law firm, are discounted, capped or alternative fees routinely linked to changes in how the work is staffed and delivered?



Comparison by firm size:

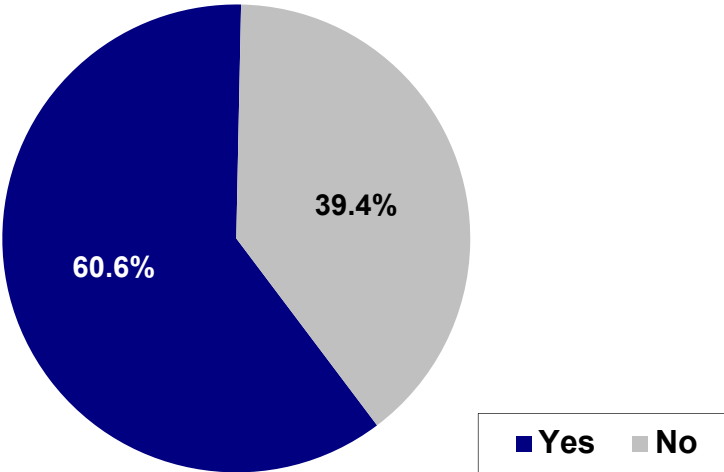
	Yes	No
50-99 lawyers	41.2%	58.8%
100-249 lawyers	41.0%	59.0%
250-499 lawyers	59.5%	40.5%
500-999 lawyers	62.5%	37.5%
1,000+ lawyers	78.6%	21.4%

Comparison by year:

	2017	2018	2019
YES	30.1%	41.6%	46.9%

Pricing: Billing Rate Increases

Q: In the last few years has your firm increased billing rates more aggressively specifically to improve firm profitability?



Comparison by firm size:

	Yes	No
50-99 lawyers	50.7%	49.3%
100-249 lawyers	61.1%	38.9%
250-499 lawyers	62.5%	37.5%
500-999 lawyers	82.4%	17.6%
1,000+ lawyers	100.0%	0.0%

Comparison by year:

	2017	2018	2019
YES	43.7%	46.4%	60.6%

Pricing: Justifying Rate Increases

NEW

Q: **If challenged by a client, how would you justify your firm's most recent rate increases?** *Responses are presented by category in the order of frequency with which they were mentioned.*

SELECTED COMMENTS

Our costs are up:

- Costs of attracting and retaining top tier talent in our associate ranks. Talented younger attorneys are necessary to assume client relationships upon retirement of baby boomers.
- Costs of keeping up with technology are rising as are the general costs associated with conducting business i.e. Cost of living increases for support staff and increased costs associated with our vendors.
- Higher cost to deliver our services (payroll, taxes, health insurance, malpractice insurance, workers comp, etc.)
- Driven by cost increases our business must absorb, including some, such as health care costs, that are rising faster than our billing rates.
- Price increase is a byproduct of operational costs increasing, primarily occupancy expenses, personnel, and health insurance.
- Combination of Cost of Living and cost of retaining the best and brightest attorneys in a very competitive environment.
- Increased firm overhead costs attributable to rising technology costs, including software; increased administrative cost necessary for compliance with client guidelines; increased employee benefit costs, e.g. health insurance, etc.
- The cost to do business has increased, primarily technology to provide the needed safeguards; and salaries, to retain our good employees in this period of low unemployment.
- Our cost of providing legal services continue to increase as our vendors increase their cost of services so we are increasing our costs of services per our engagement letter.
- Rate increases generally are comparable to the rate of inflation. Associate rate increases reflect their additional experience and increased efficiency. We still review every invoice to assess whether we are providing fair value.
- We are in a competitive market to retain talent. While this is not the sole reason for our rate increase, it is a component, along with trying to provide our attorneys and clients the best technological solutions to facilitate the efficient delivery of services.
- Rate increases have been flat for years. Firm costs continue to increase each year. And, many clients now have third party vendors "auditing" our bills (often unfairly) which has significantly reduced profitability.
- The retainer provides for it. All costs go up.

Pricing: Justifying Rate Increases

NEW

Q: If challenged by a client, how would you justify your firm's most recent rate increases?

SELECTED COMMENTS (continued)

We're delivering greater value:

- We have invested in technology and the best lawyers to service the clients. Our rates might be higher, but the bills to the client might not be because of increased efficiency
- Better efficiency; more cost effective; increased use of innovation (technology or process)
- Better people. More efficient. Greater industry knowledge
- Because of technology and work processes we are more efficient and provide more value for each hour billed.
- We look at the market when we set our rates, but we are focused on delivering value to our clients through our expertise, use of technology and resources.
- Our rates are lower than many firms as it is. The work done at the firm is highly specialized. Even at a higher rate, our attorneys can perform the work more competently than a less specialized firm and deliver results more quickly because we require less ramp up time, ultimately this provides greater value to the client and saves time and money.
- Rate increases for associates reflect growth in experience. What a client buys in year 2 is more knowledge, more efficiency and more experience than in year 1. Focus should be on the overall cost of the project not the hourly rate; focus on the efficiency a firm can deliver.
- We would work with the client to decrease risks by implementing or revitalizing a risk management program; therefore, compensating for the increase.
- Metrics showing results, reduced cycle time, expense paid, etc.

We are cheaper than competitors:

- Our rates are targeted to be 10% below our peers for similar work
- Even with the increase, our rates remain below market relative to the type and sophistication of the work.
- Our hourly rates, even with increases, are low relative to competition. Additionally, our per project costs will remain lower than competition even with increase.
- As a regional firm, we compete against large firms with substantially higher rates but can provide the same quality of sophisticated services at significantly lower rates. Even with modest rate increases year-to-year, this value proposition remains attractive to clients.
- Our rate increases are small and in line with the profession and less than larger firms. We also offer AFAs so rate may be less of an issue.

Pricing: Justifying Rate Increases

NEW

Q: If challenged by a client, how would you justify your firm's most recent rate increases?

SELECTED COMMENTS (continued)

Our increase is in line with the market / peer firms:

- Every year we conduct a careful and comprehensive review of our standard billing rates. The process involves a thorough review of our rates compared to our peer firms and we also analyze market conditions across our various practice areas and geographies. Based on our review we implemented modest increases to our rates for 2019. We also applied step increases for associates to account for changes in experience levels and expertise. In some circumstances we also reduce rates. Based on our review and diligence, we are confident that our increases are well within the range of our peer firms.
- We aim to be at the median of firms our size in [our region].
- We adjusted rates higher recently because we were well below our competitors.
- The market in many/most instances will bear it.

We need to maintain our profit margins:

- Level of profitability needed and increased efficiencies in performing client work.
- Increases are a necessity since a significant number of our clients just want an ever-increasing discount.

Demand for our services is high:

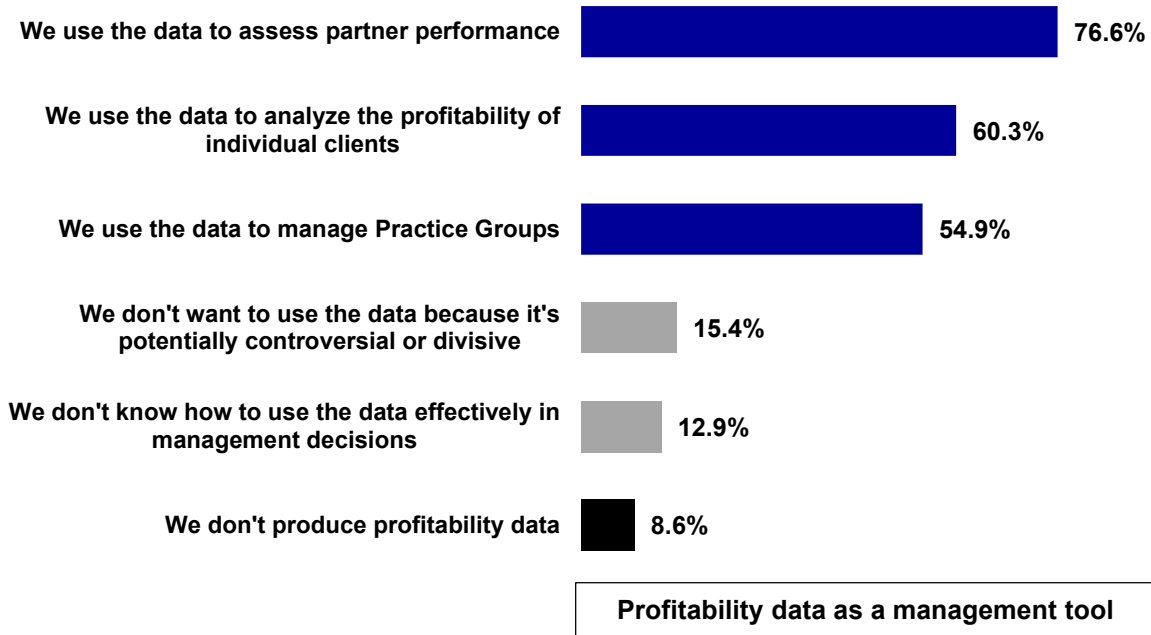
- Following a year where the cost model changed and we were otherwise turning away work in key practice areas due to growth in demand.
- We continue to charge rates that are in the range for elite firms like ours and there remains high demand for our services.

It's time:

- Rates have not been increased in ____ years (insert whatever the case may be).

Profitability Data as Management Tool

Q: Which of the following statements describes your firm’s use of profitability data as a management tool? Select all that apply.



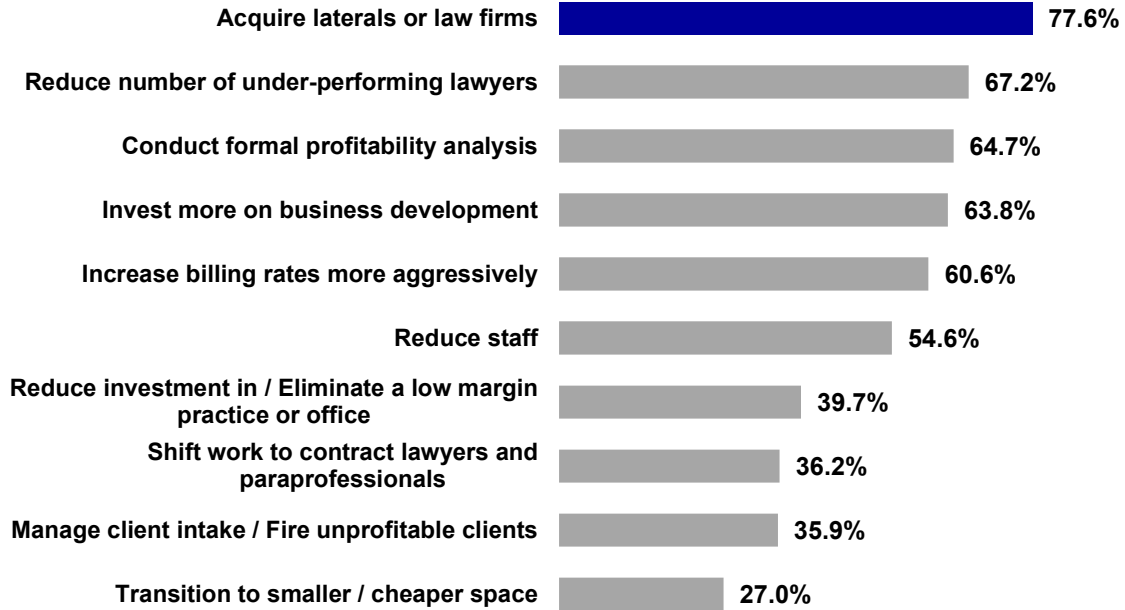
Profitability data as a management tool

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Use to assess partner performance	71.5%	91.1%
Use to analyze profitability of individual clients	50.4%	88.9%
Use to manage Practice Groups	46.9%	77.8%
Don't use because potentially controversial or divisive	17.7%	8.9%
Don't know how to use effectively in management	15.8%	4.4%
Don't produce profitability data	11.2%	1.1%

Efforts to Improve Profitability

Q: In the last few years, has your firm done any of the following specifically to improve firm profitability? Select all that apply.



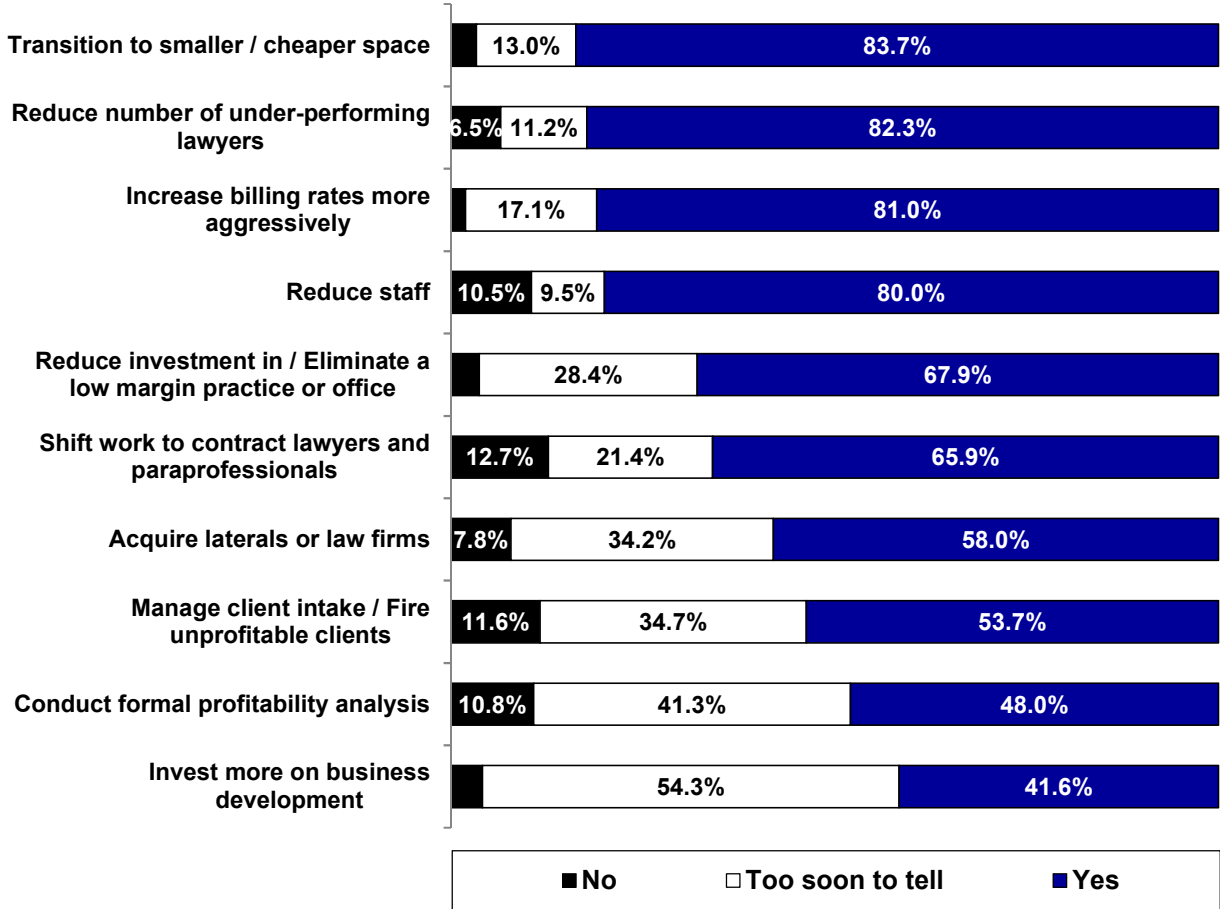
Efforts to improve firm profitability

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Acquire laterals or law firms	75.3%	84.3%
Reduce number of under-performing lawyers	61.0%	85.4%
Conduct formal profitability analysis	57.9%	84.3%
Invest more on business development	62.9%	66.3%
Increase billing rates more aggressively	55.2%	76.4%
Reduce staff	53.7%	57.3%
Reduce investment/Eliminate low margin practice or office	34.0%	56.2%
Shift work to contract lawyers and paraprofessionals	26.6%	64.0%
Manage client intake / Fire unprofitable clients	29.3%	55.1%
Transition to smaller / cheaper space	23.2%	38.2%

Profitability Tactics: What Works

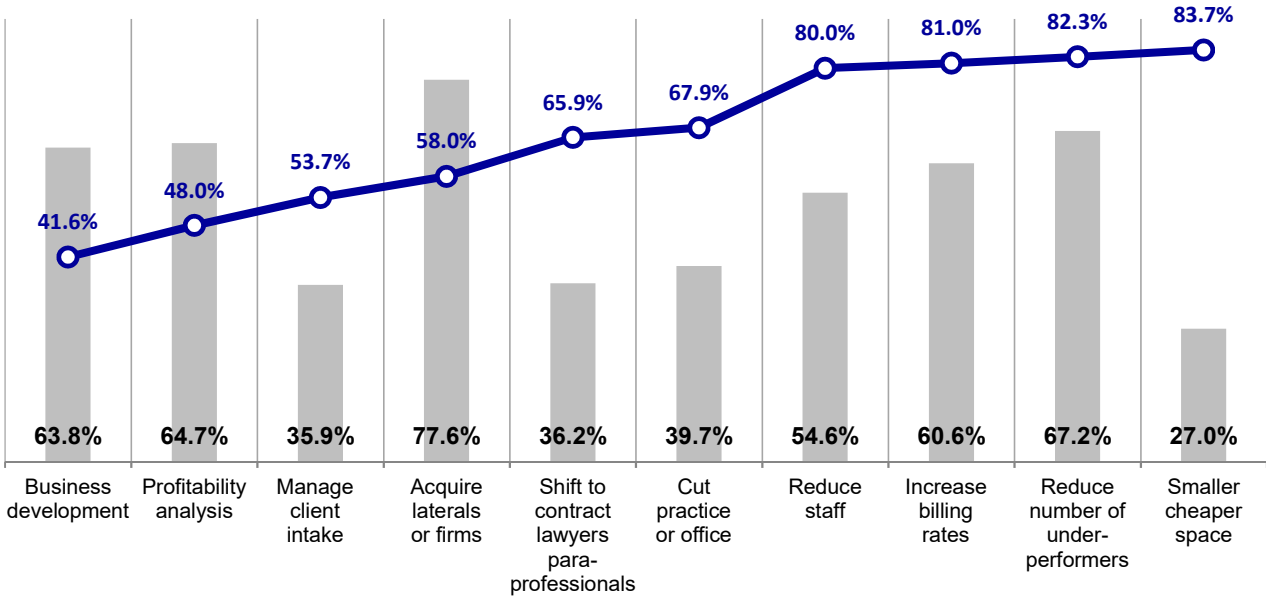
Q: For each of those things you've done to improve your firm's profitability, has the action resulted in a significant improvement in profitability?



Profitability Tactics: What Works

This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



■ % using tactic ● Of those using tactic, % experiencing significant improvement in profitability

Practice / Industry Group Strategies

NEW

Q: Practice and industry groups are the primary competitive units of law firms, and consistently effective group leadership is a critical factor in a group's success. Is your firm doing any of the following to improve practice and industry group performance? Select all that apply.



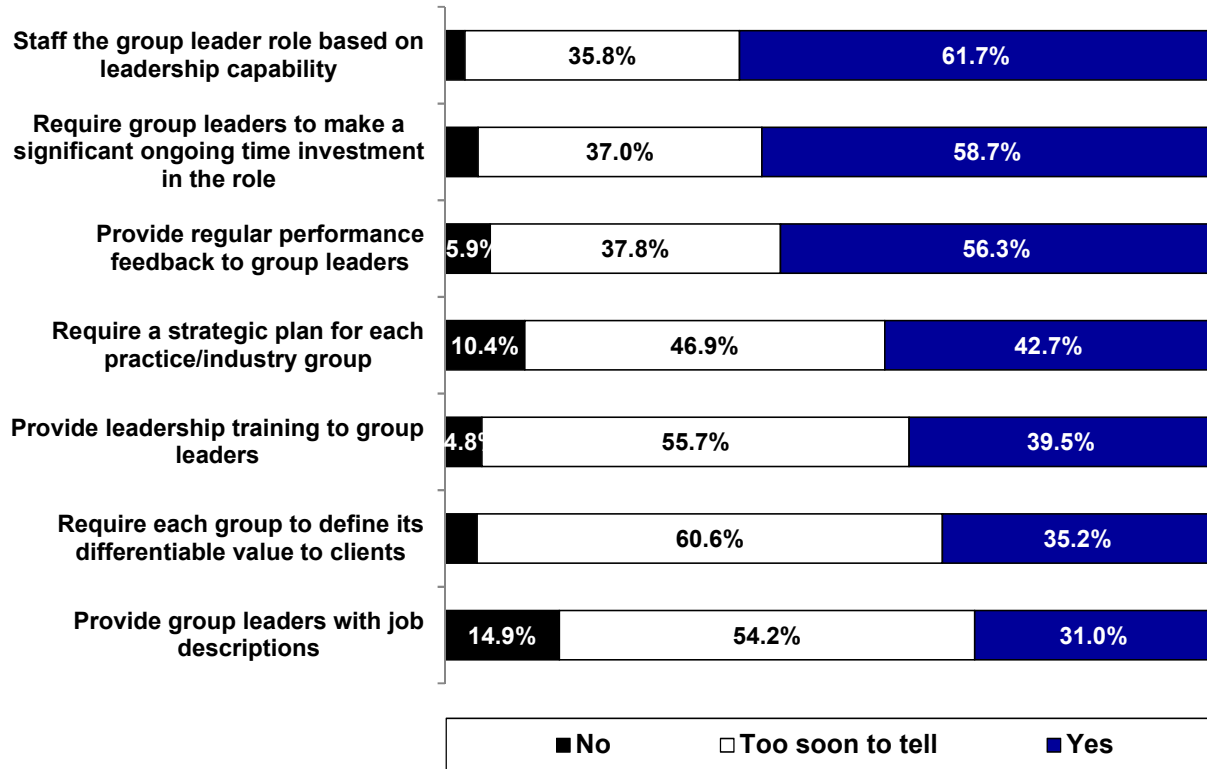
Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Require a strategic plan for each group	57.9%	81.7%
Staff the role based on leadership capability	63.8%	64.6%
Require a significant ongoing time investment	55.7%	76.8%
Provide leadership training to group leaders	52.9%	65.9%
Provide group leaders with job descriptions	52.0%	65.9%
Provide regular performance feedback to leaders	38.9%	59.8%
Require groups to define differentiable value to clients	20.8%	30.5%

Practice Groups: What Works

NEW

Q: For each of the practice / industry group tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?

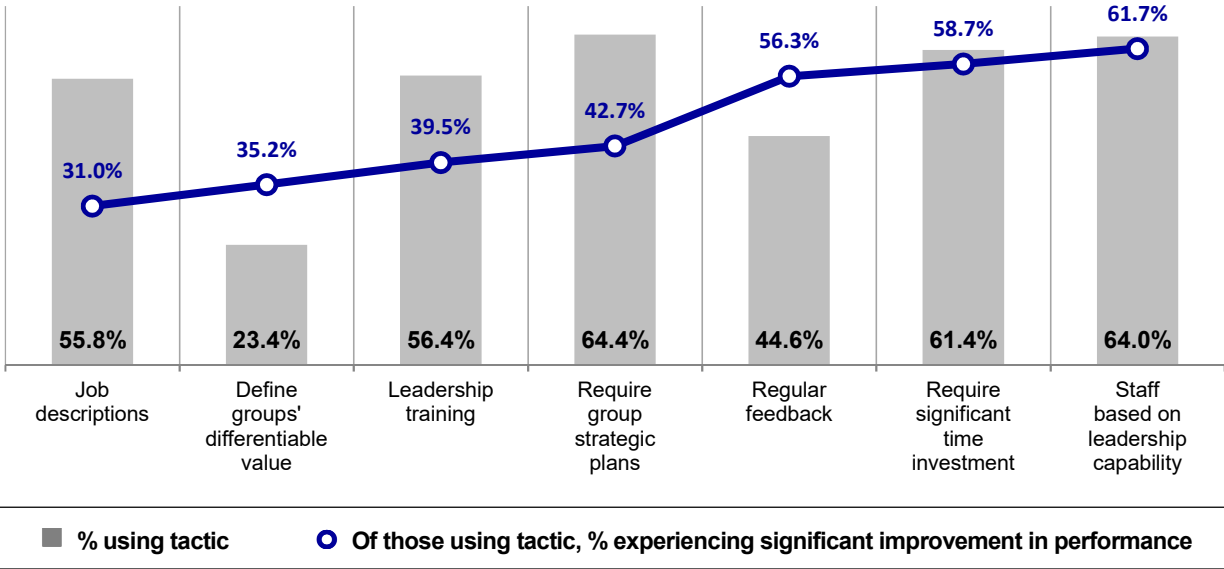


Practice Groups: What Works

NEW

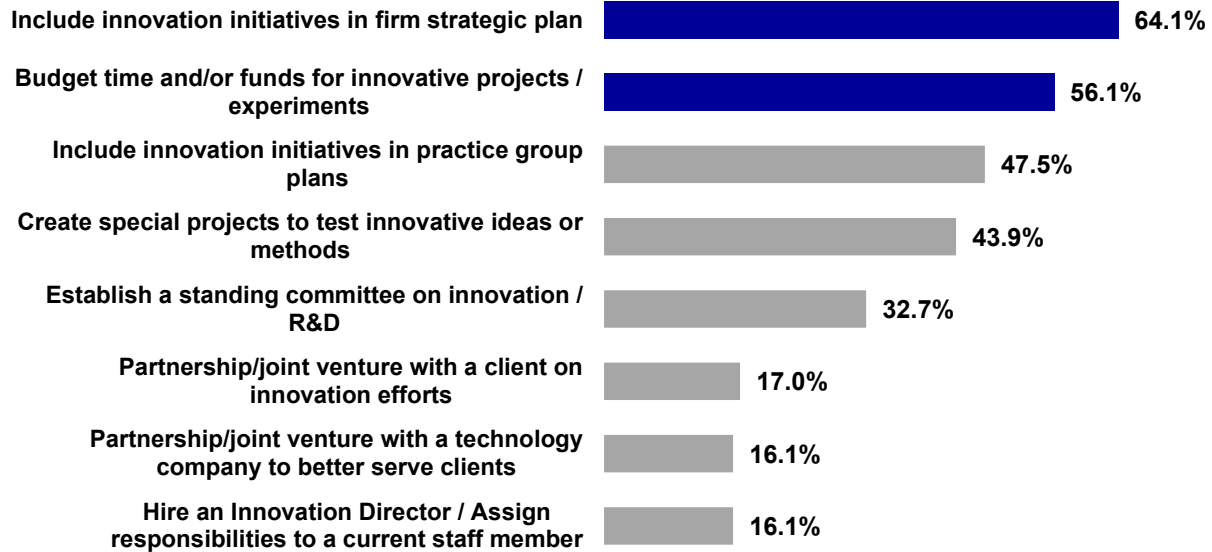
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Law Firm Change: Innovation Strategies

Q: Has your firm done any of the following to make innovation an integral part of firm strategy? Select all that apply.



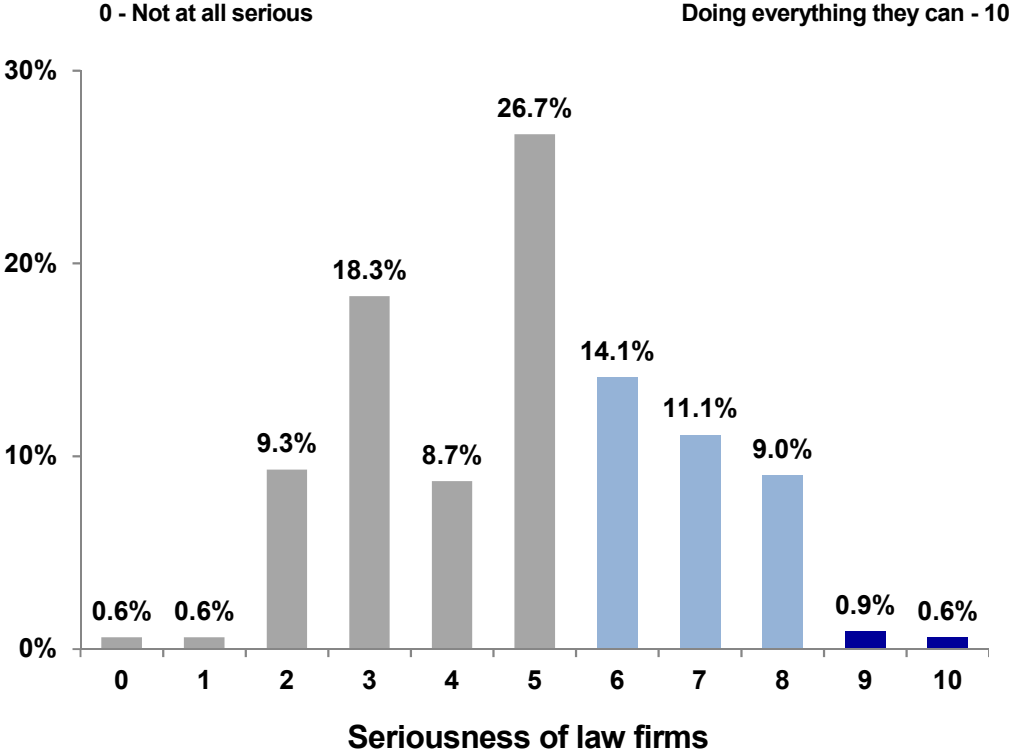
Efforts to make innovation part of firm strategy

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Include innovation initiatives in firm strategic plan	58.1%	76.0%
Budget time/funds for innovative projects/experiments	48.6%	70.7%
Include innovation initiatives in practice group plans	44.6%	53.3%
Create special projects to test innovative ideas/methods	36.5%	58.7%
Establish a standing committee on innovation / R&D	23.6%	50.7%
Partnership with a tech company to better serve clients	12.2%	24.0%
Partnership with a client on innovation efforts	14.2%	22.7%
Hire Innovation Director / Assign to staff member	8.8%	30.7%

Law Firm Change: Seriousness of Efforts

Q: In your opinion, in 2019 how serious are law firms about changing their legal service delivery model to provide greater value to clients (as opposed to simply reducing rates)?



	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	64.3%					34.2%			1.5%		

Median rating: 5

	2013	2014	2015	2016	2017	2018	2019
MEDIAN	5	5	5	5	5	5	5

Law Firm Change: Urgency

NEW

Q: Compared to two years ago, has your firm’s urgency to change increased or decreased?



We feel no urgency to change Decreased About the same Increased

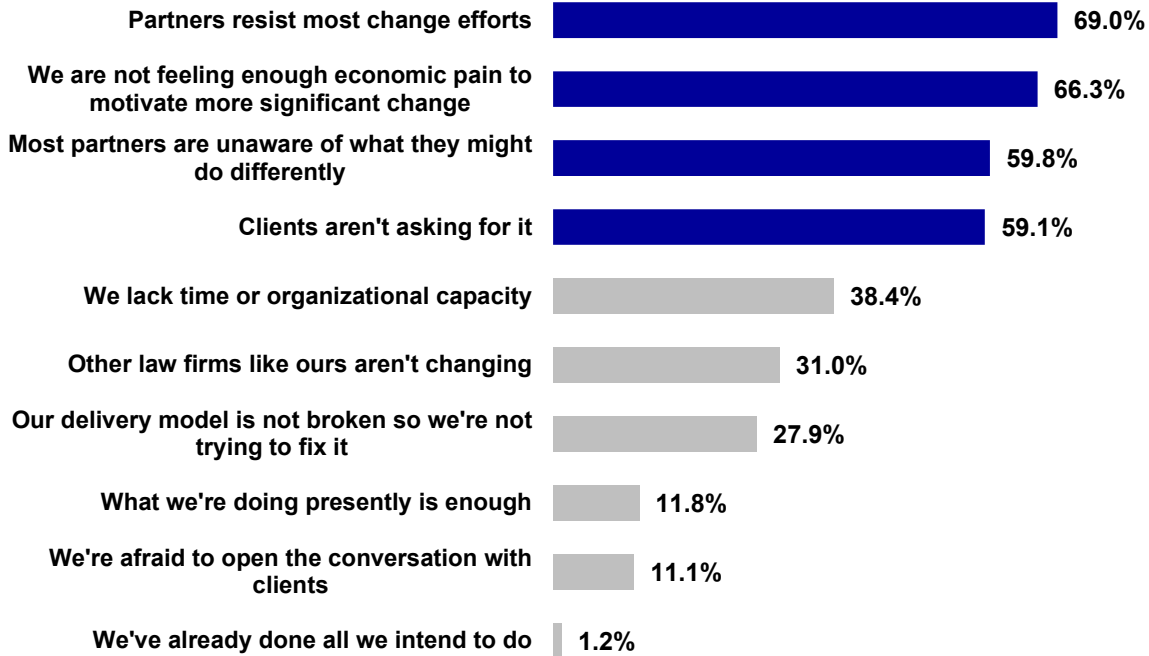
Urgency to change

Comparison by firm size:

	NONE	DECREASE	SAME	INCREASE
Under 250 lawyers	2.8%	0.4%	46.6%	50.2%
250 lawyers or more	4.8%	0.0%	31.0%	64.3%

Law Firm Change: 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.



Why not doing more to change?

Top four responses: Comparison by year

	Partners resist most change efforts		Not feeling enough economic pain		Most partners unaware of what to do differently		Clients aren't asking for it	
	% Firms	Rank	% Firms	Rank	% Firms	Rank	% Firms	Rank
2019	69.0%	1st	66.3%	2nd	59.8%	3rd	59.1%	4th
2018	68.6%	1st	58.7%	3rd	60.2%	2nd	54.7%	4th
2017	65.0%	1st	60.5%	2nd	56.0%	4th	58.7%	3rd
2016	64.4%	1st	55.9%	3rd	53.7%	4th	59.1%	2nd
2015	44.4%	3rd	45.8%	2nd	NA	NA	62.7%	1st

Leading Change: Leadership Strategies

NEW

Q: Although usually well aware of the threats and opportunities in the legal market, law firm leaders often have trouble achieving significant change among the broader partnership. Which of the following are you undertaking in your firm to move from talk to action? Select all that apply.



Leading change efforts

Leading Change: Leadership Strategies

NEW

Q: Although usually well aware of the threats and opportunities in the legal market, law firm leaders often have trouble achieving significant change among the broader partnership. Which of the following are you undertaking in your firm to move from talk to action? Select all that apply.

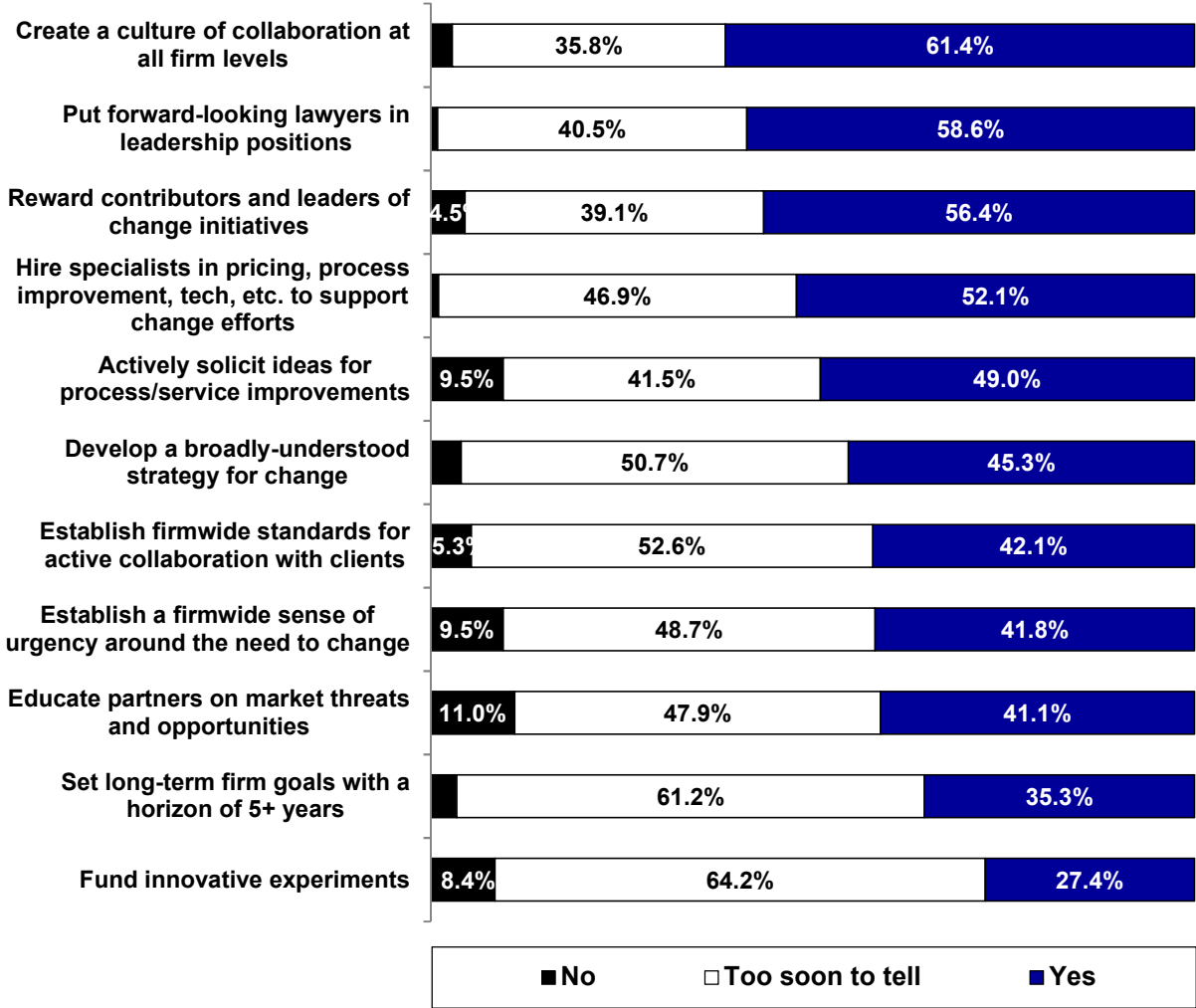
Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Create a culture of collaboration at all firm levels	77.4%	80.2%
Put forward-looking lawyers in key leadership roles	69.8%	79.0%
Educate partners on market threats and opportunities	64.7%	84.0%
Actively solicit ideas for process/service improvements	62.6%	66.7%
Establish firmwide urgency around the need to change	46.0%	65.4%
Develop a broadly-understood strategy for change	40.0%	70.4%
Set long-term firm goals with a horizon of 5+ years	38.3%	32.1%
Reward contributors and leaders of change initiatives	31.1%	46.9%
Hire specialists in pricing, process improvement, tech, etc.	16.2%	72.8%
Fund innovative experiments	20.9%	58.0%
Establish firmwide standards for collaboration with clients	18.3%	42.0%

Leading Change: What Works

NEW

Q: For each of those things you've done to lead change in your law firm, has the action resulted in improved firm performance?

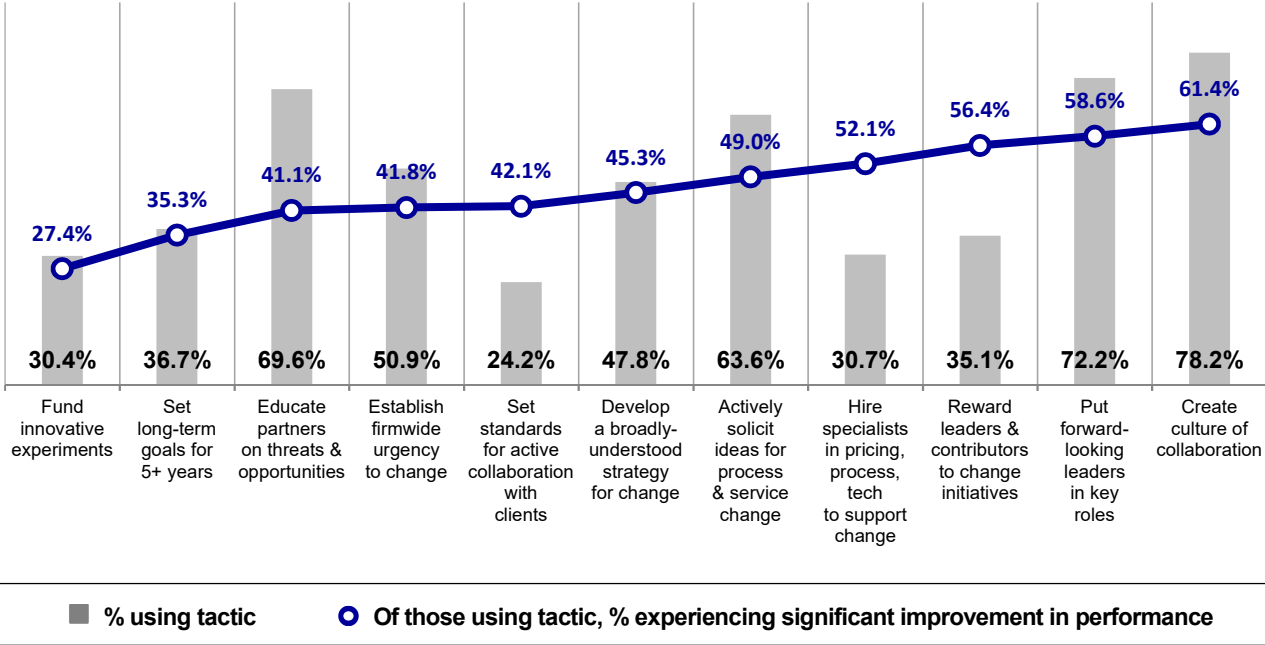


Leading Change: What Works

NEW

This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

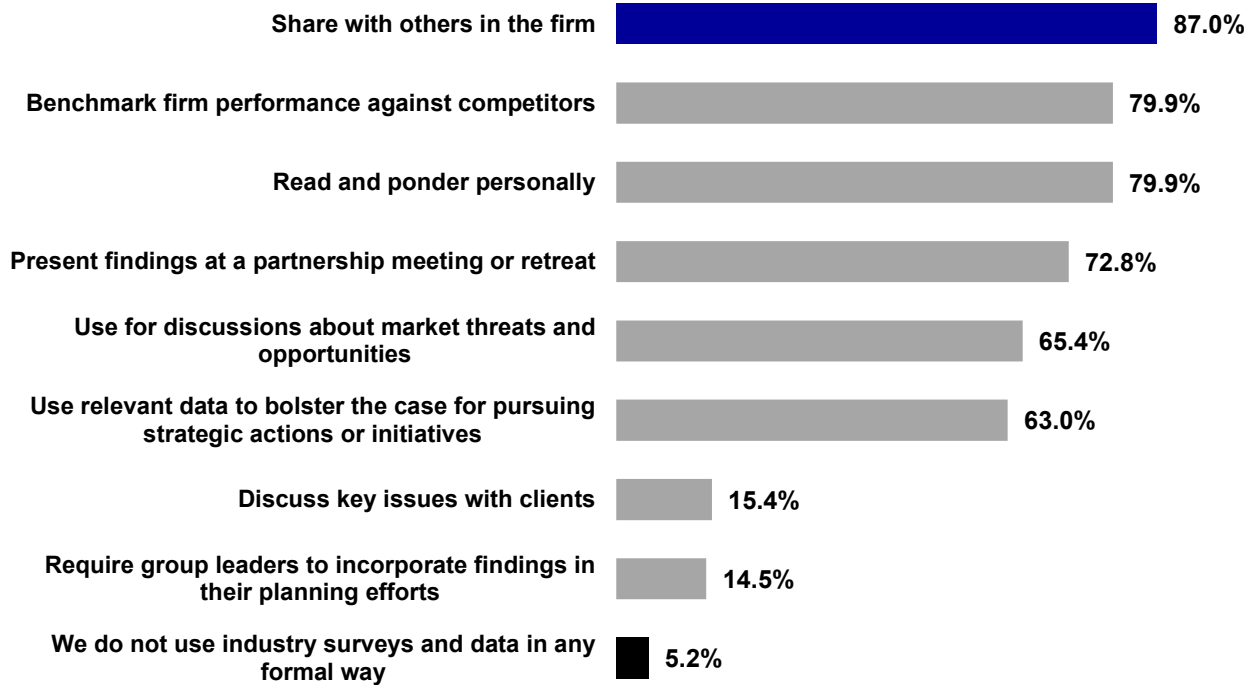
Comparison of Use and Results:



Leading Change: Use of Industry Reports

NEW

Q: How do you use legal industry reports (like the Law Firms in Transition Survey and others) to lead and manage your law firm? Select all that apply.

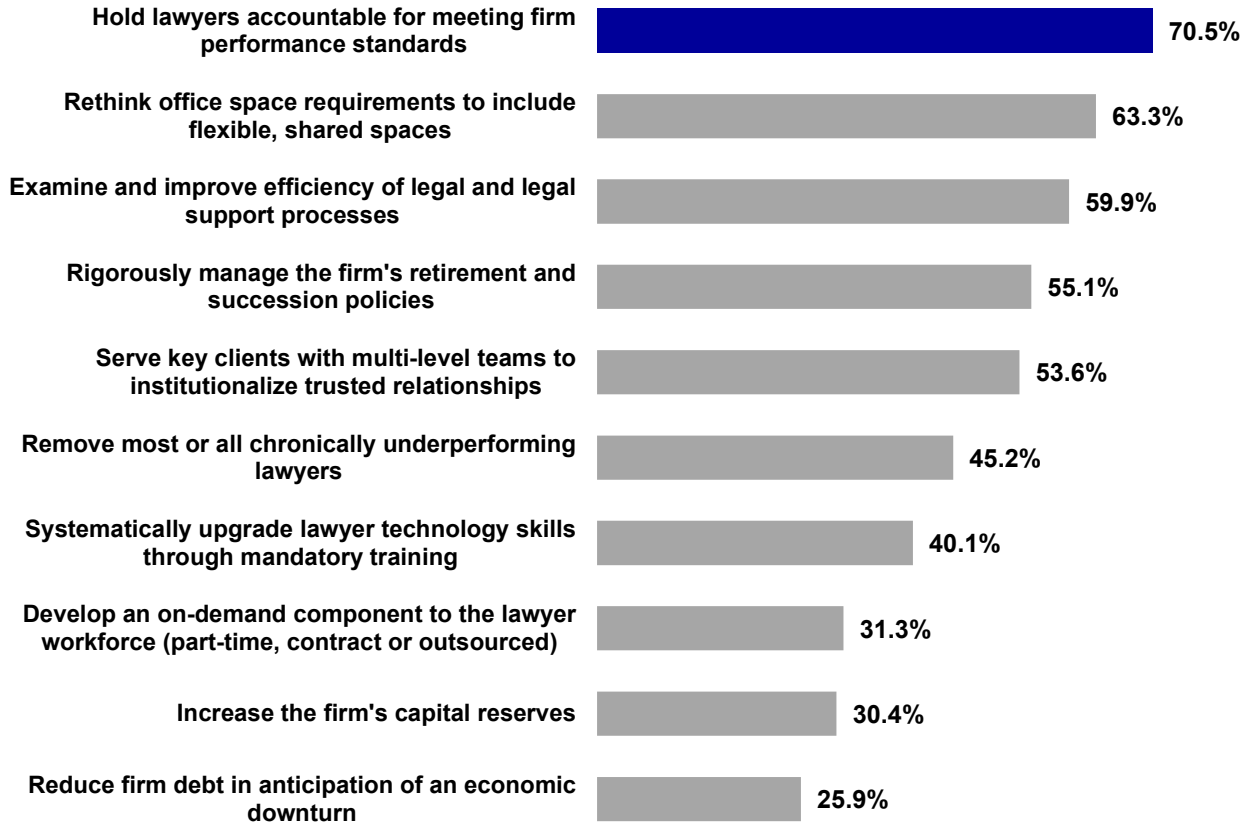


Use of industry reports

Leading Change: Long-Term Sustainability

NEW

Q: As law firms are buffeted by a changing market, it is increasingly important to develop a flexible, scalable and resilient business model to ensure long-term sustainability. Has your firm done any of the following to improve its sustainability? Select all that apply.



Efforts to improve sustainability

Leading Change: Long-Term Sustainability

NEW

Q: As law firms are buffeted by a changing market, it is increasingly important to develop a flexible, scalable and resilient business model to ensure long-term sustainability. Has your firm done any of the following to improve its sustainability? Select all that apply.

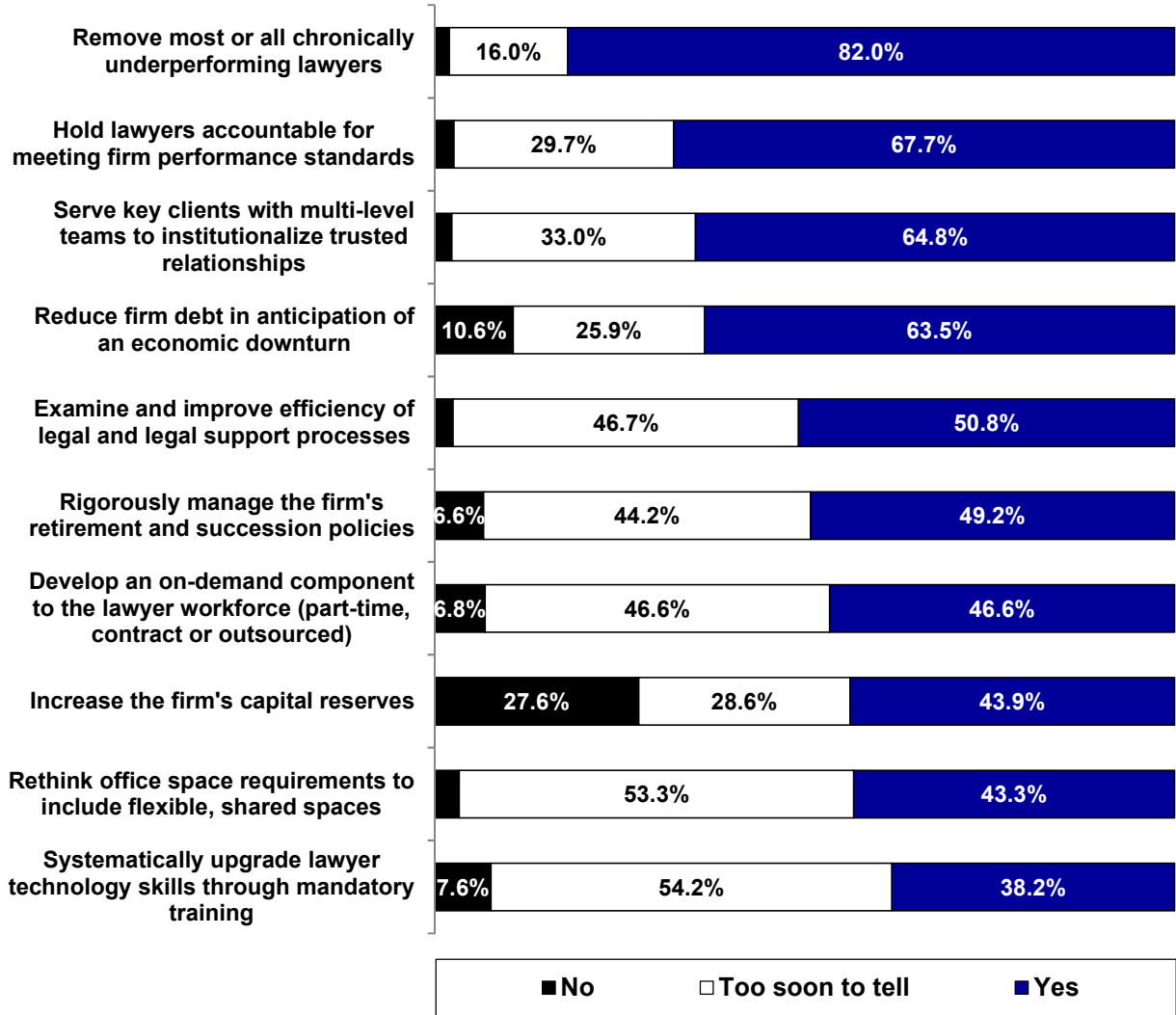
Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Hold lawyers accountable for performance standards	70.2%	71.4%
Rethink office space to include flexible shared spaces	58.5%	77.4%
Improve efficiency of legal and support processes	54.4%	76.2%
Rigorously manage retirement and succession policies	52.0%	64.3%
Serve key clients with multi-level teams	49.2%	66.7%
Remove most/all chronically underperforming lawyers	41.5%	56.0%
Systematically upgrade lawyer technology skills	39.5%	41.7%
Develop an on-demand component to lawyer workforce	27.4%	42.9%
Increase the firm's capital reserves	26.2%	42.9%
Reduce firm debt in anticipation of an economic downturn	23.8%	32.1%

Sustainability Tactics: What Works

NEW

Q: For each of those things you've done to improve your firm's sustainability, has the action resulted in a significant improvement in firm performance?

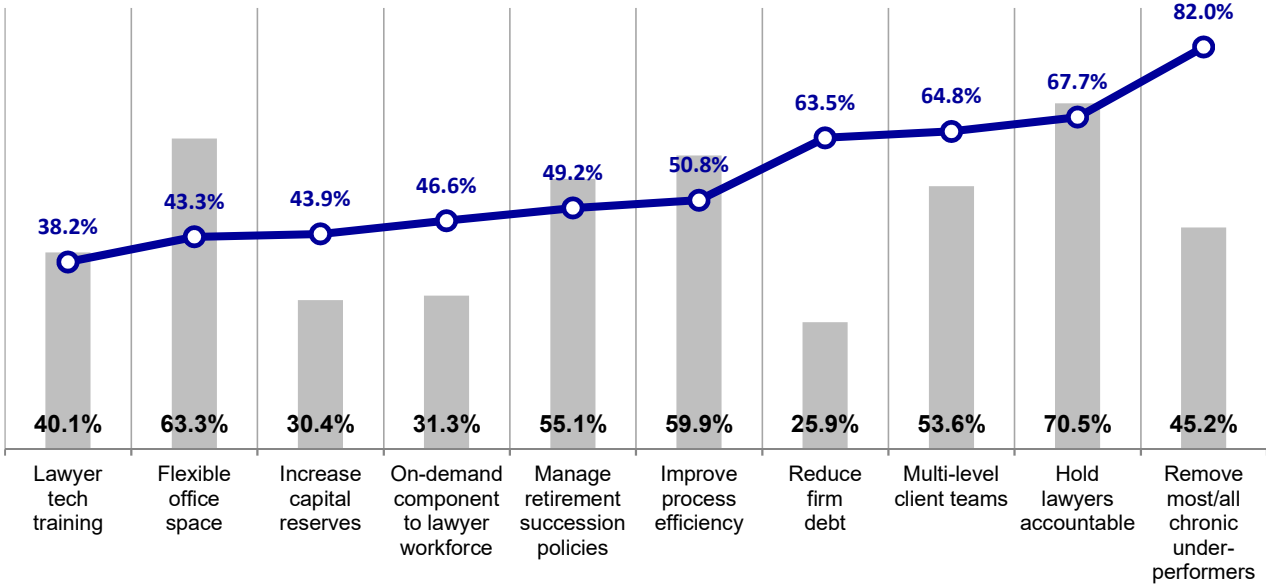


Sustainability Tactics: What Works

NEW

This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

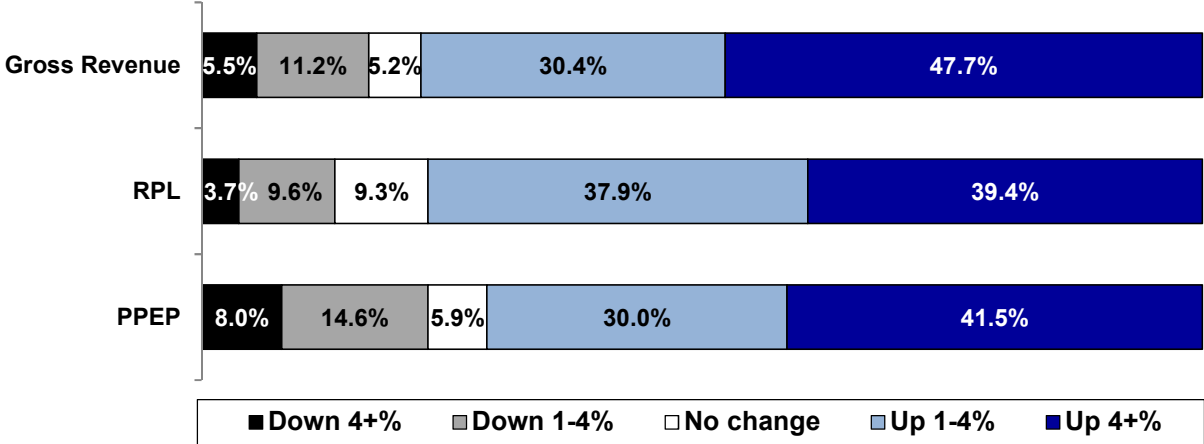
Comparison of Use and Results:



■ % using tactic ● Of those using tactic, % experiencing significant improvement in performance

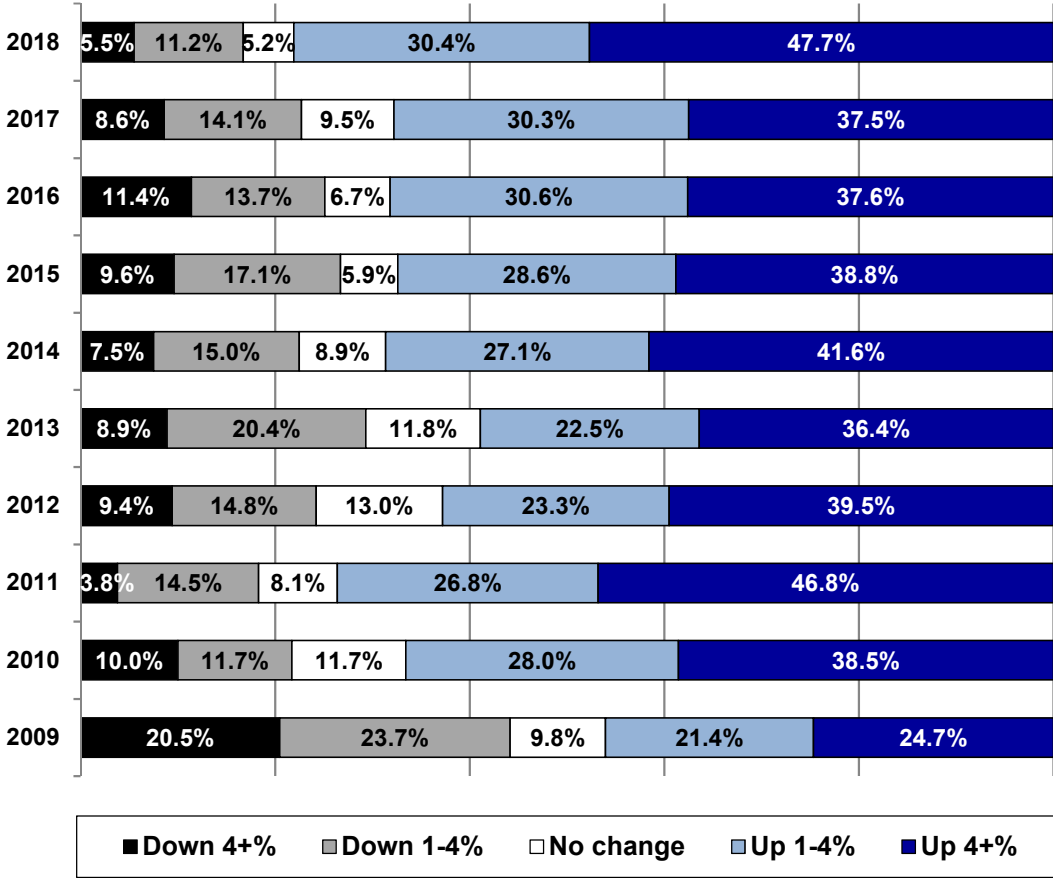
Financial Performance: 2018

Q: How did your law firm perform in 2018 compared to 2017?



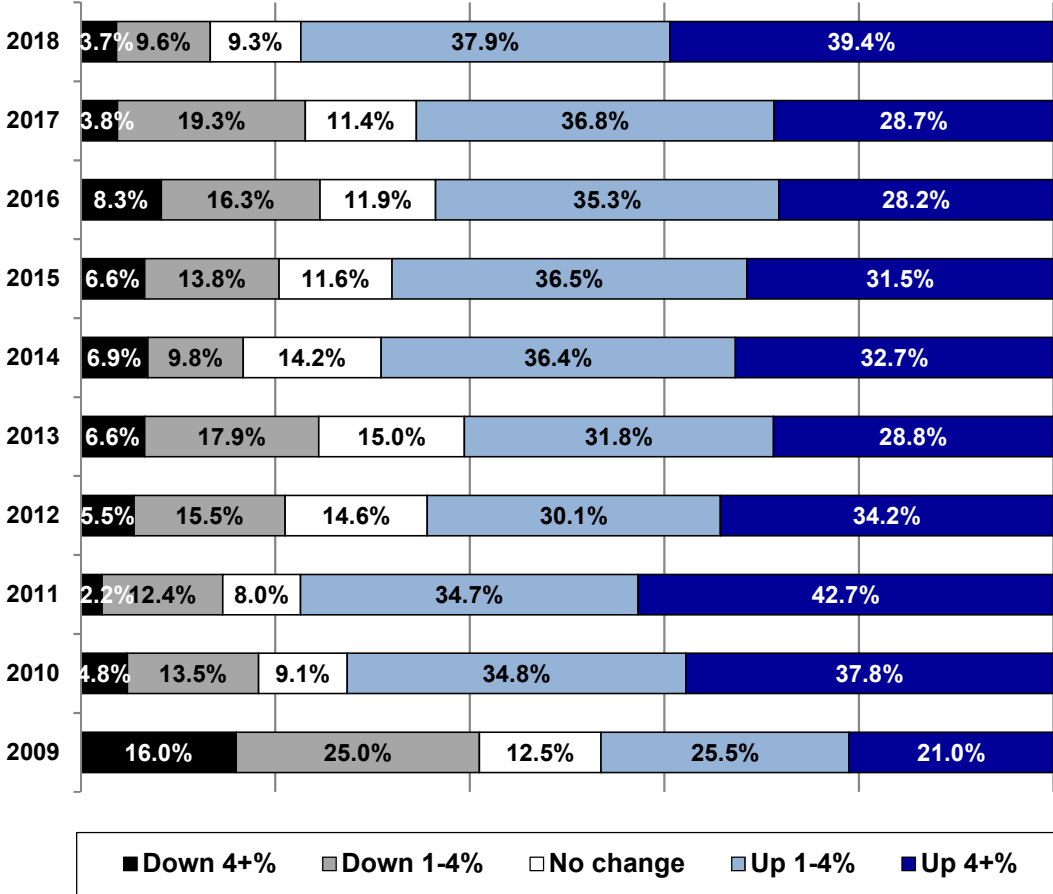
Gross Revenue: Trend 2009 - 2018

Comparison by year:



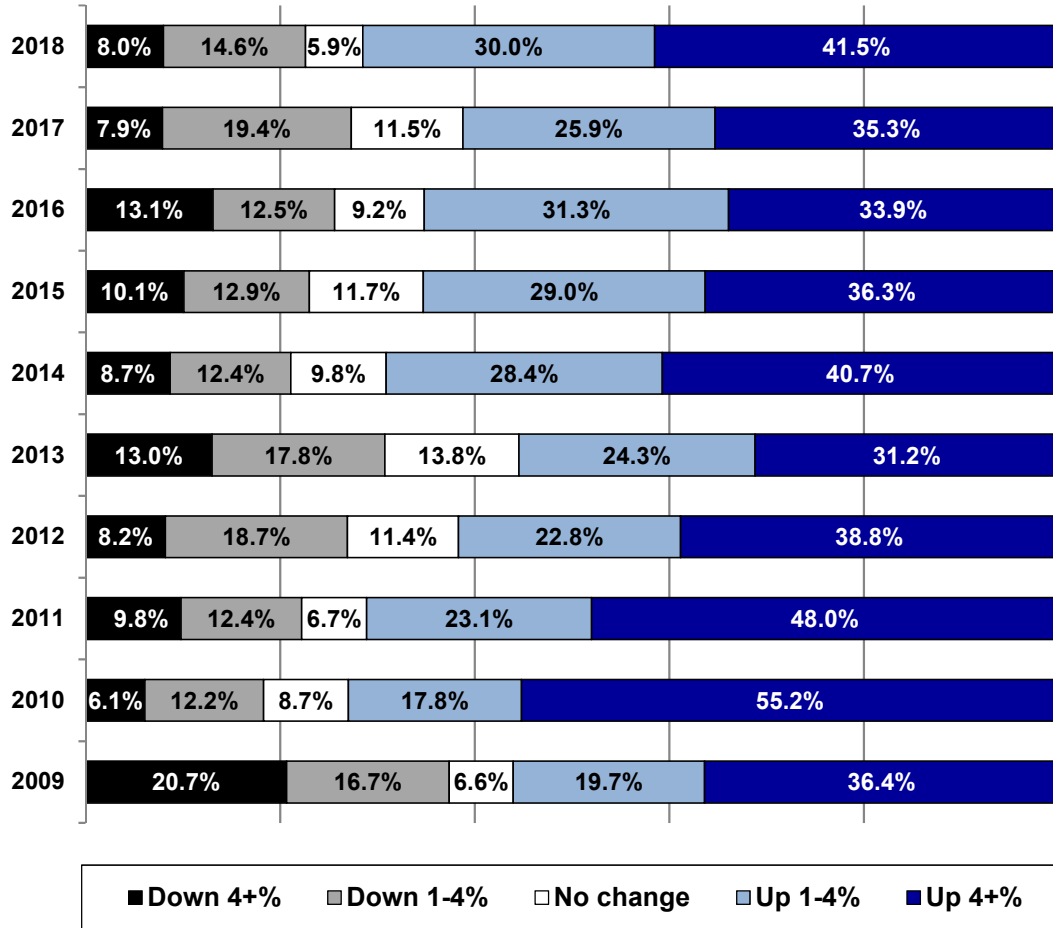
Revenue Per Lawyer: Trend 2009 - 2018

Comparison by year:



Profits Per Equity Partner: Trend 2009 - 2018

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
2018	16.7%	5.2%	78.1%
2017	22.7%	9.5%	67.8%
2016	25.1%	6.7%	68.2%
2015	26.7%	5.9%	67.4%
2014	22.5%	8.9%	68.7%

RPL	Down	No change	Up
2018	13.4%	9.3%	77.3%
2017	23.1%	11.4%	65.5%
2016	24.6%	11.9%	63.5%
2015	20.4%	11.6%	68.0%
2014	16.7%	14.2%	69.1%

PPEP	Down	No change	Up
2018	22.6%	5.9%	71.5%
2017	27.3%	11.5%	61.2%
2016	25.6%	9.2%	65.2%
2015	23.0%	11.7%	65.3%
2014	21.1%	9.8%	69.1%

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).

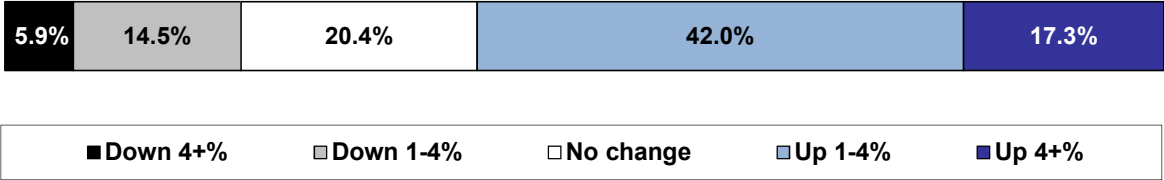
Gross revenue	Down	No change	Up
Under 250 lawyers	18.0%	6.6%	75.4%
250 lawyers or more	12.9%	1.2%	85.9%

Revenue per lawyer	Down	No change	Up
Under 250 lawyers	16.9%	10.1%	73.0%
250 lawyers or more	3.5%	7.1%	89.4%

Profits per partner	Down	No change	Up
Under 250 lawyers	24.4%	7.6%	68.1%
250 lawyers or more	17.6%	1.2%	81.2%

Financial Performance: 2018 Overhead Costs

Q: How did your law firm perform in 2018 compared to 2017?



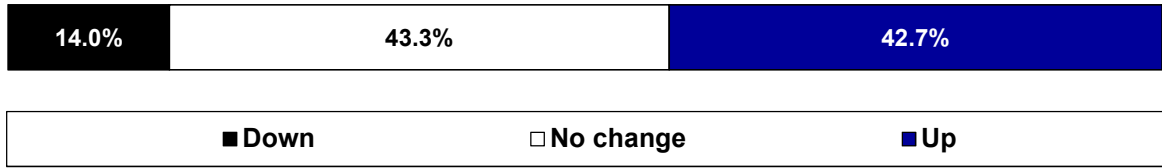
2018 Overhead

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
2018	20.4%	20.4%	59.3%
2017	26.9%	19.0%	54.1%
2016	27.8%	22.1%	50.1%
2015	32.2%	22.7%	45.1%
2014	29.8%	19.1%	51.1%

Financial Performance: 2018 Realization

Q: In 2018, was your firm’s realization against standard rates up or down from 2017?



Comparison by firm size:

	Down	No change	Up
Under 250 lawyers	13.9%	45.9%	40.2%
250 lawyers or more	14.3%	35.7%	50.0%

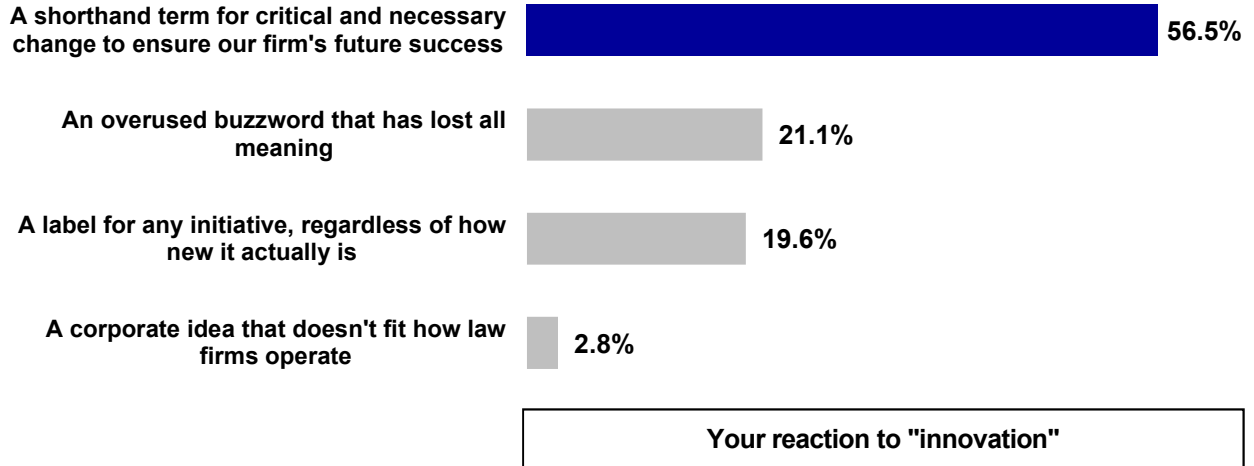
Comparison by firm size and year for those firms reporting realization was up:

	Up in 2017	Up in 2018
Under 250 lawyers	37.8%	40.2%
250 lawyers or more	36.7%	50.0%

Bonus Question: Innovation

NEW

Q: Which of the following best characterizes your personal reaction to the term "innovation"?



Comparison by firm size:

	Critical change	Overused buzzword	Any initiative	A corporate idea
50-99 lawyers	50.4%	22.6%	23.4%	3.6%
100-249 lawyers	59.6%	20.2%	18.3%	1.9%
250-499 lawyers	56.8%	21.6%	16.2%	5.4%
500-999 lawyers	61.3%	19.4%	19.4%	0.0%
1,000+ lawyers	84.6%	15.4%	0.0%	0.0%
ALL FIRMS	56.5%	21.1%	19.6%	2.8%

2019 Survey Participant Demographics

In March and April 2019, Altman Weil surveyed Managing Partners and Chairs of 810 US law firms with 50 or more lawyers. We received responses from 362 firms, a 45% response rate.

Firm Size*	All US Law Firms	Survey Participants	% Response
1,000 +	32	15	47%
500 – 999	66	34	52%
250 – 499	76	43	57%
100 – 249	230	118	51%
50 – 99	406	152	37%
All	810	362	45%

The respondent group includes**:

- 46% of 2018 AmLaw 200 law firms
- 49% of 2018 NLJ 500 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 2019. Survey participants reported their own lawyer headcounts.

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