

**HIGHLIGHT:
STRATEGIC PLANNING**

2014
Law Firms in Transition
An Altman Weil Flash Survey



Contact Altman Weil

3748 West Chester Pike, Suite 203

Newtown Square, PA 19073

(610) 886-2000

www.altmanweil.com

info@altmanweil.com

Thomas S. Clay: tsclay@altmanweil.com

Eric A. Seeger: eseeger@altmanweil.com



LAW FIRMS IN TRANSITION HIGHLIGHT: STRATEGIC PLANNING

Planning for the Future

Since the recession, when law firms were planning in six month or one year increments (if they were doing so at all), the planning outlook has stretched out again. Sixty-nine percent of firms now have a basic planning horizon of three to five years, according to the *2014 Law Firms in Transition Survey*. When asked if they are systematically laying the groundwork for any longer-term strategies that will not reach fruition for eight to ten years, 44% of firm leaders said yes, and 56% said no.

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

Today's plans should combine current objectives alongside the groundwork for long-term goals. Firms that can recognize and respond to clear signals in the marketplace and lay down appropriate foundational investments now will find more opportunities to prosper in the future.

Decision Drivers

The survey asked law firm leaders which was the greater driver of decision-making in their firms in 2014: 'Long-term investment in new pricing and service delivery strategies to lock in their most valuable clients;' or, 'Short-term profitability to lock in their most valuable partners.' The overall response showed firm leaders nearly split – 56% said long-term, client-focused investment was the greater driver, and 44% chose short-term profitability to hold on to key partners.

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

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

reference to the entire partnership, making those firms more able to implement change.

Strategic Change 2014

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

Thirty percent of firms report they are changing their strategic approach to pricing. Thirty-nine percent of firms are making significant changes to efficiency of legal service delivery. And forty-six percent are making meaningful changes in lawyer staffing strategies. On each of these issues, larger firms (those with 250 lawyers or more) are doing significantly more than their smaller-firm colleagues.

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

About Law Firms in Transition 2014

Conducted in March and April 2014, the *Law Firms in Transition Survey* polled Managing Partners and Chairs at 803 US law firms with 50 or more lawyers. Completed surveys were received from 304 firms (38%), including 42% of the 350 largest US law firms. The full 90-page survey includes sections on industry trends, pricing and alternative fee arrangements, efficiency of legal service delivery, lawyer and non-lawyer staffing, law firm growth, economic performance and the future of the profession.

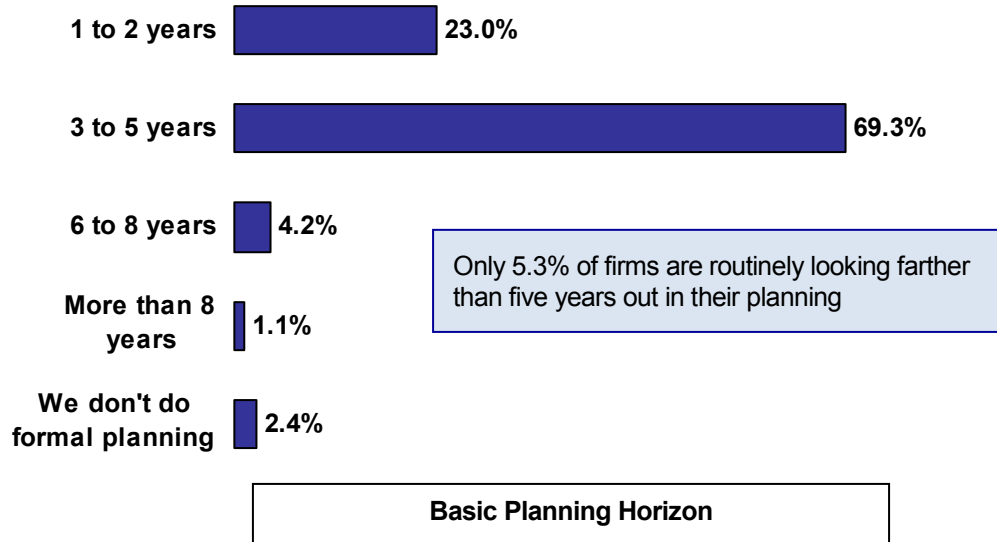
It is available online to download at: www.altmanweil.com/LFiT2014.

About Altman Weil, Inc.

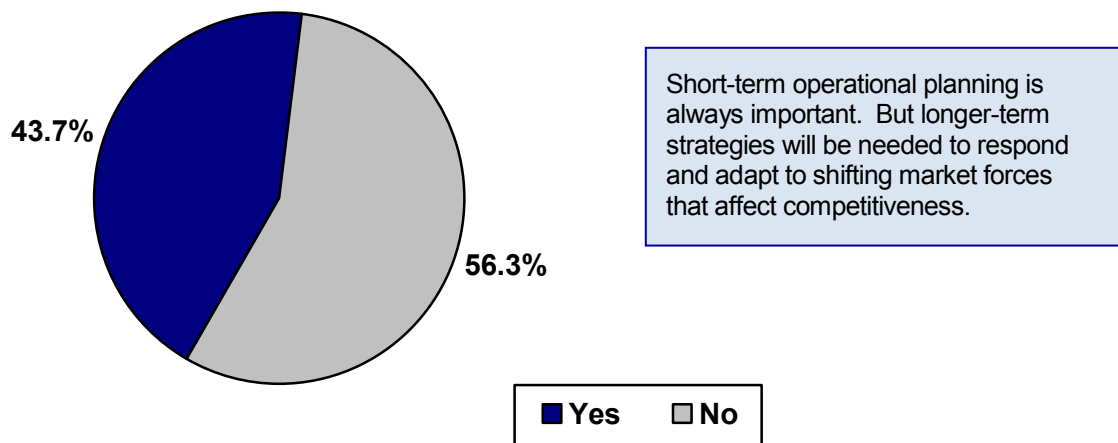
Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing,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

Planning for the Future

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

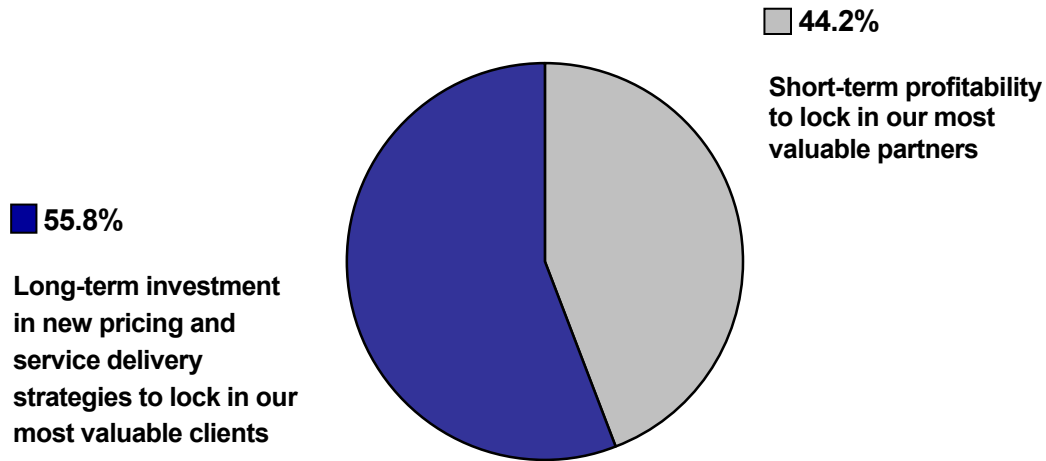


Q: As your firm plans for the future, are you systematically laying the groundwork now for any long-term strategies that will not reach fruition for 8 to 10 years?



Decision Drivers

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



Comparison by firm size:

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

Larger firms, and most notably those with 1,000 or more lawyers, are more likely to be driven by long-term considerations.

Strategic Change 2014

Q: Has your firm significantly changed its strategic approach to these elements of the law firm business model?

YES - Changing strategic approach	ALL FIRMS	Under 250 lawyers	250 or more lawyers
Pricing strategy	29.5%	22.4%	48.7%
Efficiency of legal service delivery	39.4%	34.1%	53.8%
Lawyer staffing strategy	45.8%	41.0%	59.2%

Q: If you are making strategic changes to your firm's business model, are your efforts driven primarily by internal factors (e.g. improved profitability), or external factors (e.g. client or market pressure)?:

CHANGE DRIVER	Internally driven	Externally driven
Pricing strategy	28.8%	71.2%
Efficiency of legal service delivery	40.0%	60.0%
Lawyer staffing strategy	54.6%	45.4%

2014 Survey Participant Demographics

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

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

The respondent group includes**:

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

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

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