

2020
Law Firms in Transition
An Altman Weil Flash Survey



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Law Firms in Transition 2020

Here we are again.

When the Altman Weil *Law Firms in Transition Survey* debuted in 2009, the nation was pulling out of a deep recession. In an environment of slow demand growth, extreme price sensitivity and intense competition, it was obvious that law firms needed to deliberately improve on their approaches to pricing, staffing, technology deployment, process efficiency, profitability analysis, practice leadership and lawyer accountability to meet the external demands of a more challenging marketplace and the internal demands for income security and viable career paths.

Did law firms adapt and transition as needed to achieve lasting competitive advantages? Some did while most did not—at least not in full. This year's survey highlights the persistent disconnect between what firm leaders agree they should have done during the intervening years and what they actually accomplished. The survey findings point to the many opportunities still available to firms that choose to pursue them.

In 2020, amid a global pandemic and a stalled economy, firm leaders are presented with an opportunity for another reset—an opportunity to truly rethink what a law firm ought to be doing to meet the needs of a marketplace *that has already changed* in terms of how clients define and measure value and what they're willing to do to make sure they get it. Clients will be pushing anew for pricing concessions, predictable budgets, more efficient staffing, more sophisticated utilization of preferred technologies, better communication relating to goals and metrics, and new strategies to create winning outcomes. Corporate law departments will reassess how, when and how much they use outside counsel. Competition from well-funded law businesses will surely accelerate.

Will law firms respond by rethinking their methods and structures to align with clients' expectations?

History says that most will not.

Will this time be different?

Law Firms in Transition?

Over the last decade, the *Law Firms in Transition* surveys have provided the legal profession with deep, broad-based data on the challenges and circumstances facing law firm leaders, what firms have done in response to evolving market conditions, what's worked and what has not.

What we've documented, above all else, is that law firms—by nature, by design, by temperament—are slow moving organizations. Some firms have been fast movers, but the overall pace of change in legal practice has at times seemed agonizingly slow.

This comes as no surprise. We know from experience¹ that law firms prefer to follow, not lead. Indeed, the question we are asked most frequently is “What are other law firms doing?”—an inquiry that makes plain a followership strategy and that bakes in a slow pace of change.

In each of the last few years, we have debated whether “Law Firms in Transition” was even a meaningful description of what the survey data have long shown—that most law firm partnerships don't want to change, aren't good at it, and by and large don't think it's necessary.

Maybe they're right. The years following the Great Recession brought gradual change and improved profitability. Firms were aware of shifts in clients' buying behavior and responded in some ways, testing new approaches, being more responsive to clients, but not turning themselves inside out. They did enough to stay even with peer firms and rose on the tide of general economic prosperity.

Over the years, firms have done well to reduce their debt and improve liquidity. Many firms developed policy frameworks to manage lawyer/client transitions, addressed pockets of overcapacity among lawyers and staff, selectively adopted new technologies and hired non-lawyer specialists to manage niche operations like pricing and project management.

¹ From experience and from our survey data. The 2014 Law Firms in Transition Survey (page 14) found that only 10% of law firm leaders thought that change in the profession would be driven by law firms. 90% of firm leaders thought that change would be driven by clients, technology, generational transitions or other factors. Law firms never intended to lead.

In our assessment, work was left undone in each of those areas. However, as the economy predictably rebounded and demand slowly returned, firms were able to increase rates while hiring more slowly to deliver higher per-lawyer production and improved financial performance. For the 2019 fiscal year, more than half of all firms (52.2%) reported gross revenue increases of 4% or more—easily the highest proportion this survey has ever reported.²

Then Coronavirus Happened

Through early March 2020, we were looking at a continuation of positive trends and heady optimism. The survey, which was launched on March 3, captures that moment “before” coronavirus. Most firms were reporting a strong start to the year and healthy pipelines of work.

Then everybody ran into the brick wall of the coronavirus pandemic and the immediate consequence of sharp economic contraction. Unlike a normal recession, there is no predictable arc of how the current downturn will play out. How long, how deep, how painful—nobody knows for sure.

What we do know is that in the 2019 survey, only a handful of managing partners were highly concerned that a broad economic recession would negatively affect their law firm in the next five to ten years.³ We know from the 2020 survey that large majorities of law firm leaders were counting on higher billing rates, increased billable hours, improved leverage, higher realization and cost control measures to contribute to higher margins and improved firm performance.⁴ Hopes of more billable hours at permanent rate increases have been dashed in many firms. By April, law firms’ annual projections were being totally reworked based on best guesses of how public policy decisions and economic regeneration might play out later in the year.

Positioning for the Future

Disruption and uncertainty always bring opportunities to get ahead. For example, back in 2009, firms of all sizes saw opportunities to take work from larger firms as clients looked for high-quality work at lower rates and for leaner staffing of matters and cases. Firms pursued opportunities to hire laterals and groups due to

² 2020 Law Firms in Transition Survey, Altman Weil, Inc., page 55.

³ 2019 Law Firms in Transition Survey, Altman Weil, Inc., page 3.

⁴ 2020 Survey, page 63.

downsizing at competitor firms and the ability to offer more agreeable rate structures, overhead costs and culture. Many firms found the motivation to address inefficiencies and waste, deal with performance issues, fix partner compensation and benefits, address weak practice areas and offices, and be more disciplined in managing their finances. They improved upon firm policies and procedures, managed the transitions of senior partners, improved their operations and support staff models and developed greater strategic clarity. Such opportunities abound in the current environment.

Since the pandemic struck, we've seen firms deploy all the tactics one might expect in an economic crisis—pay cuts, furloughs, layoffs, reduced draws, expense cuts, deferred distributions, suspension of 401(k) contributions, cancellation of summer programs, postponement or rescinding of associate hires and the like. We've learned that firms can pivot quickly. Lawyers and staff can work remotely. Administrative tasks like billing can be done remotely. Courts are learning to function remotely. Deals are being done remotely.

The transition to work-at-home seemed to go relatively smoothly for most firms and many were pleasantly surprised to find that remote work... works! Many firms have been surveying their lawyers and staff about their work-at-home experience and are already recalculating their office space needs going forward. We anticipate that firms will be able to save as much as 3.5% of revenue over time from renegotiated leases. Of course, some of the savings will go toward supporting remote workers, but those costs should taper off after initial investments. There are new questions about what remote work will mean to training, collaboration, relationships, job satisfaction, loyalty, retention and the like, but the technological barriers are mostly gone, connectivity and collaboration tools will continue to improve and solutions to the "people issues" that will arise in law firms have already been adopted by other types of organizations.

There will be further disruption ahead as the virus evolves and society responds. As a result, law firms should expect greater volatility and plan accordingly. Budgets and plans should have more contingencies built in and should be updated rigorously every quarter based on new circumstances and projections.

2020 Survey Highlights

Law firms in general have not demonstrated the will to change their legal service delivery model to increase the value being delivered to clients. In every year from 2013 through 2020, managing partners gave law firms mediocre marks (a median rating of 5 on a 10-point scale) in terms of their seriousness about changing the service model.⁵ The low marks are jarring when one considers that managing partners recognize that the market has changed substantially over the last ten years⁶ and that firms needed to change to stay competitive.⁷ Less than 2% of firm leaders strongly agree that law firms have changed as much as was needed,⁸ which invited many clients to look for answers elsewhere.⁹

For years, large majorities of managing partners have agreed in theory on the need to improve practice efficiencies in the face of intense competition, ongoing commoditization of legal work, price pressures and encroachments of non-law-firm competitors.¹⁰ Yet, as reported in the 2020 survey, only 22% of firms have attempted to systematically reengineer their work processes and only 31% have provided ongoing project management training and support to their attorneys.¹¹ Among the firms that are trying to make progress in those areas, most have not yet seen their efforts translate into significantly improved firm performance. These two tactics are merely examples—the same is true for most of the tactics mentioned in the survey. We encourage you to study the What Works charts in detail as you order your leadership priorities.¹²

This year's survey asked managing partners to rate their firms' progress toward maturity in key areas of the law firm business model. The results show that overall, firms have a long way to go. A majority of firms characterized their current progress as zero or early-stage development in the areas of pricing, staffing and efficiency.¹³

⁵ 2020 Survey, page 9.

⁶ 2020 Survey, page 10.

⁷ 2020 Survey, page 11.

⁸ 2020 Survey, page 12.

⁹ 2020 Survey, page 3.

¹⁰ In this year's survey (page 1), 95.1% of law firms leaders identified "Focus on improved practice efficiency" as a permanent trend in the profession. That number has been 93% or higher in each of our last ten surveys (page 2).

¹¹ 2020 Survey, pages 38-40.

¹² The tactics being used by law firms, and their effectiveness, are summarized in the survey's Appendix for easy reference.

¹³ 2020 Survey, page A1.

Firms are a bit further along in their use of profitability data, with 56% of law firm leaders reporting intermediate or mature stages of development.¹⁴ However, we are still seeing a disconnect between being able to generate reliable profitability data and actually using the data in collaboration with practice group leaders to make strategic investment decisions.¹⁵ Management teams must continue to refine their profitability analyses by client, matter, practice area, etc., understand what the data are telling them and make fact-based decisions to drive performance gains.

Of course, sluggishness on the part of some firms does not impugn all firms. Leading change may be difficult, but is not impossible, and some firms have excelled. The most effective leaders have created collaborative firm cultures, rewarded people who led or contributed to change initiatives, put forward looking leaders in key roles, actively solicited ideas for improving processes and client service, and experimented with innovative new ideas.¹⁶

Firms have gotten much more serious in recent years about investing in professional staff to manage operations. In addition to their core administrative professionals in finance, human resources, marketing, IT and business development, firms have added specialists to manage or support recruiting, professional development, data analysis, client relationships, client value and pricing. Most firms of 250 lawyers or more have full-time employees dedicated to each of those functions. More than 20% of those firms have full-time people working on innovation and strategy.¹⁷

We have been pointing out for years that the profession is significantly overstaffed and underemployed, particularly at the non-equity partner level. While some progress has been made,¹⁸ half of all firms and 60% of large firms still say that their non-equity partners are not sufficiently busy.¹⁹ Most firms (84%) report having underperforming lawyers.²⁰ In nearly a quarter of all firms, more than 10% of lawyers are considered underperformers.²¹ Half of all firms said overcapacity was diluting

¹⁴ 2020 Survey, pages 49 and A1.

¹⁵ 2020 Survey, page 50.

¹⁶ 2020 Survey, pages 14-17.

¹⁷ 2020 Survey, pages 22-24.

¹⁸ 2020 Survey, page 32.

¹⁹ 2020 Survey, pages 25-26.

²⁰ 2020 Survey, page 30.

²¹ 2020 Survey, page 31.

their overall profitability.²² And most of that was reported before the current calamity took a bite out of lawyer workloads.

Many law firms look the same to prospective clients—they do not project a distinct and compelling value that distinguishes them from similar firms. Differentiation is imperative in a highly competitive market like the one we can expect this year and next, yet only 55% of law firms leaders think their firm is clearly and specifically differentiated.²³ Our experience is that some firms misunderstand what being differentiated in the eyes of clients really means. Being smart, experienced lawyers who get the job done—is that enough? Not if your five closest competitors can say the same. We think a heightened focus on true differentiation, especially at the practice group level, is a must for most firms.

Leading Change

We are not suggesting a total overhaul of law firm structure, systems and culture. We know that won't happen. In the history of law firms, we have never really seen rapid, radical change, and we don't expect to see it now. However, firm leaders should be trying to push through four persistent barriers to change:²⁴

Partners resist most change efforts. Of course they do. Your firm's most powerful and influential partners—the ones who control client relationships, decide work assignments and enjoy the highest incomes—have the most to lose from any potential disruption to their relationships and work flows. Therefore, you might need to conduct experiments with adjacent partners and practices, develop proof of concept and work your way in.

Clients aren't asking for it. Many clients never did ask for significant changes from outside counsel, and some never will, but they have undeniably voted with their feet. Nearly 7 in 10 law firms have seen their corporate clients pull work in-house and most of the remaining firms said they see it coming.²⁵ If you wait for clients to ask how you can serve them better, you'll have waited too long. Clients want and expect to have conversations with you and your

²² 2020 Survey, page 29.

²³ 2020 Survey, page 5.

²⁴ 2020 Survey, page 13. The same four reasons have topped the list in each of the last five years.

²⁵ 2020 Survey, page 3.

partners about pricing, budgets, project staffing, matter management efficiency and value.²⁶

Firms are not feeling enough economic pain to motivate change. Some years are better than others, high earners can live on less, and partnerships know how to tighten the belt when necessary, as they have demonstrated over the past few months. It might provide some comfort to know that through the last recession, partnership cohesion was found to have been sustained or even strengthened in most law firms.²⁷ It takes a lot to kill a law firm, but still, it is going to be necessary to keep your most important partners happy (which is to say, well paid) and not let other firms entice them away with enough incremental compensation to overcome their loyalty, comfort and inertia. Improving your firm's margins, profitability and incomes will help you retain and attract key talent.

Most partners are unaware of what they might do differently. Curiously, we have observed that the class of intellectuals known as law firm partners are not a hugely curious lot when it comes to changing their ways. You'll have to work selectively and collaboratively with those who will work with you to identify new pricing and delivery models and try them out. If it's still true, year after year, that partners don't know what they might do differently, we see that as a failure of leadership. Firm management should be facilitating and requiring discussions along these lines to generate ideas, commitments and buy-in and to accelerate learning. Again, see the What Works charts for guidance.

Recommendations to Law Firm Leaders

Are law firms transitioning? Not at the scale or pace that should reasonably be expected. The investments made to date have not generally been consequential enough to significantly alter a firm's trajectory, impress discerning clients or generate sustainable competitive advantages.

Our recommendations have been right here all along: Improve the efficiency, value and profitability of legal service delivery; learn and improve as you go; build on

²⁶ 2020 Survey, page 6.

²⁷ 2014 Law Firms in Transition Survey, Altman Weil, Inc., page 8.

successes and systematize effective new methods by replicating them in other parts of the firm; and turn your real new capabilities into sustainable competitive advantages by committing to them, locking them into your organizational processes and structures, and communicating, supporting and demonstrating them to clients.

Our advice is embedded in the questions that we ask: What competitive trends are you seeing, what tactics are you employing to improve performance and which among them are working? Any of the tactics, executed effectively, should lead to improved performance and greater profitability.²⁸

Law firm leaders do not have to develop their own ideas of what might work—we have years of data to answer those questions. Get the information into the hands of your management committee members, practice leaders, industry team leaders and key administrators. Challenge them to test new approaches with urgency and purpose. Hold them accountable.

The things that have been shown to work for firms that do them—do those things. Things that firms aren't doing but that you think you can pull off—do those things too. Be selective, attack each chosen initiative with the full intention of succeeding, assemble a capable team to make it happen, be clear on the goals and deliverables, assign champions and budget, carve out the necessary organizational space, support it at the management level, and go.

Again, and still, the lack of aggressive adaptation and leadership on the part of most law firms presents a clear opportunity for your law firm to get ahead and stand out.

²⁸ As summarized in the 2020 Survey Appendix and presented in detail in the survey pages.

Survey Methodology

Conducted in March and April 2020, the *Law Firms in Transition Survey* polled Managing Partners and Chairs at 794 US law firms with 50 or more lawyers. Completed surveys were received from 182 firms (23%), including 26% of the 500 largest US law firms and 26% of the AmLaw 200.

A complimentary copy of the full survey can be downloaded at www.altmanweil.com/LFiT2020.

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

June 2020
Altman Weil, Inc.

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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.

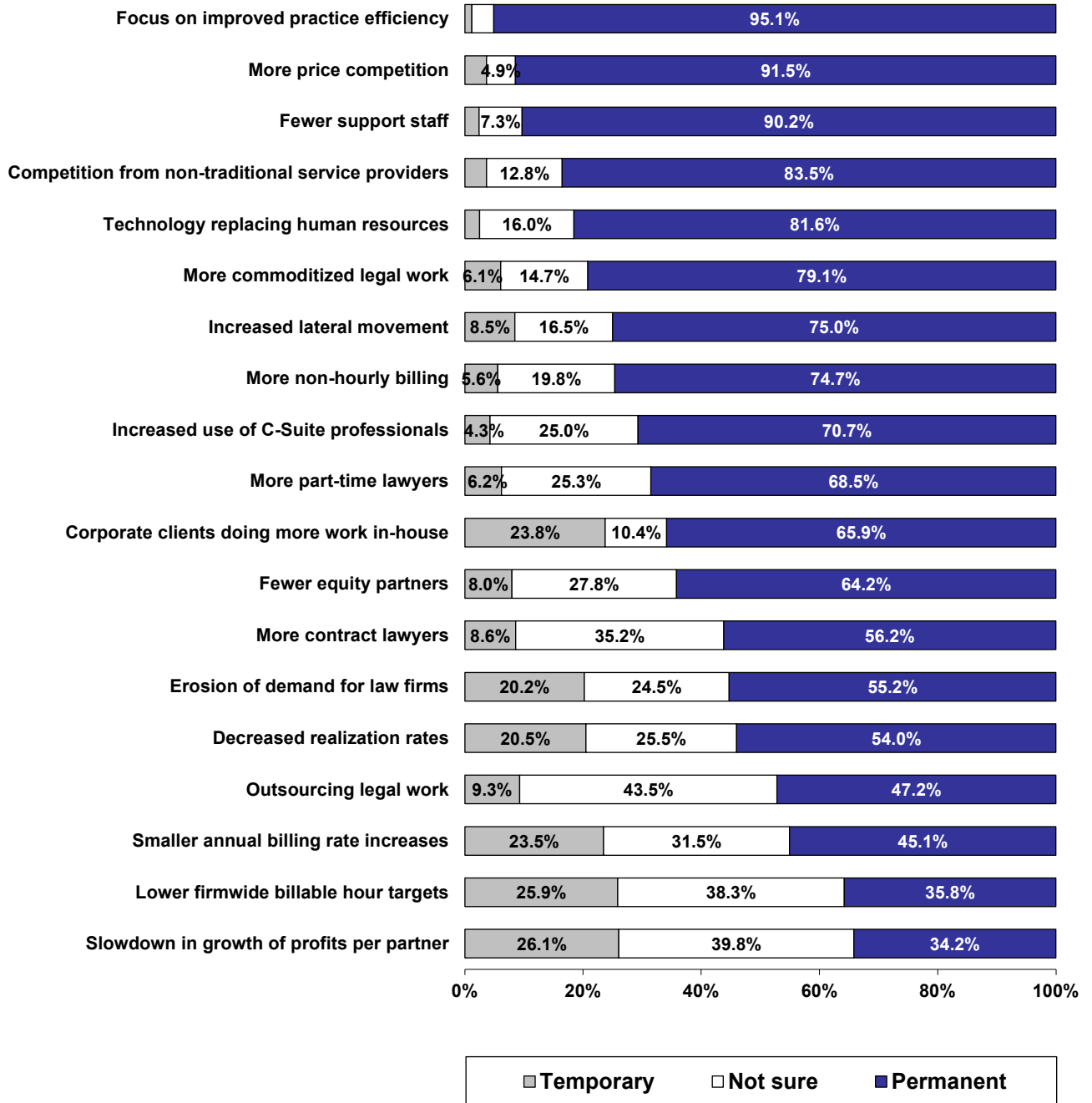
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About Altman Weil, Inc.

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 throughout the US and Canada. Altman Weil's consultants are thought leaders and technical specialists in law firm strategy, compensation, leadership, governance, practice management, profitability, executive search, succession, mergers and acquisitions and operational alignment. In collaboration with selected affiliates, we offer additional advisory services for process improvement, project management, program implementation, business development and expense reduction.

Law Firms in Transition: 2020 Trends

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



Law Firms in Transition: Trends 2009-2020

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

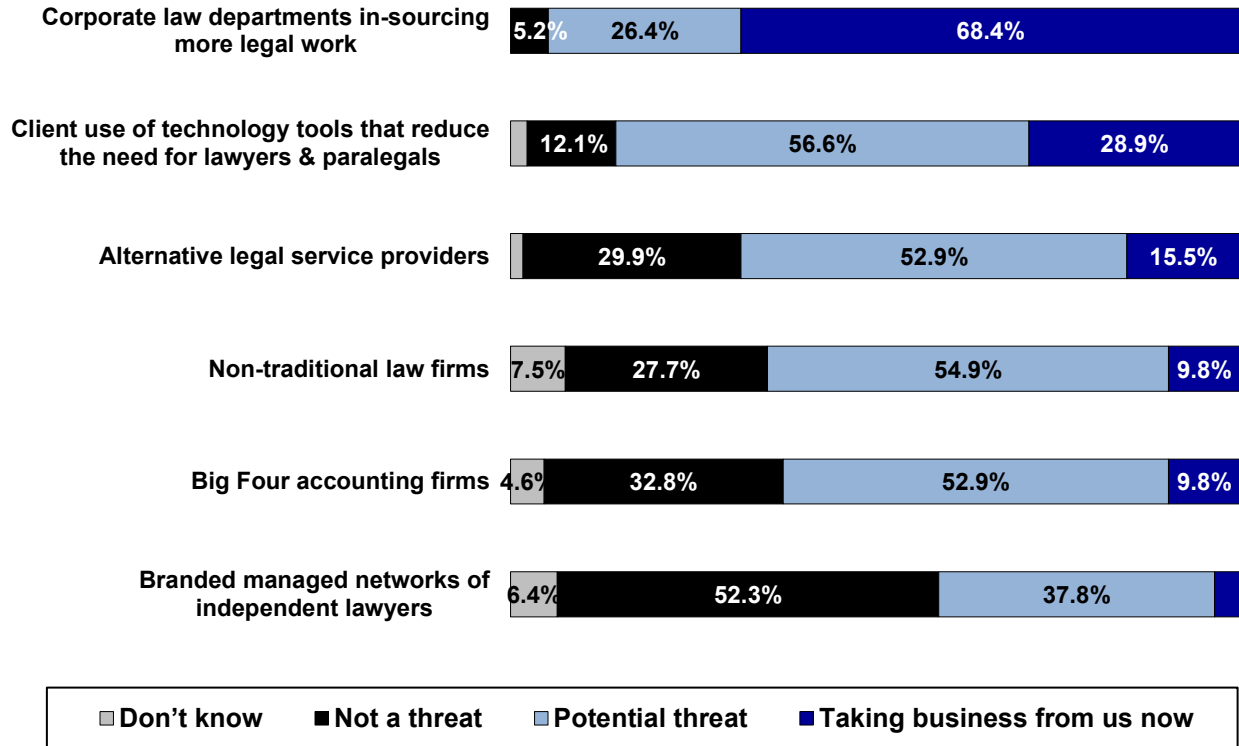
	% OF FIRM LEADERS SAYING TREND IS PERMANENT											
	09	10	11	12	13	14	15	16	17	18	19	20
Focus on improved practice efficiency	na	na	94	96	96	94	93	93	94	94	96	95
More price competition	42	89	90	92	96	94	94	95	95	96	93	92
Fewer support staff	na	na	88	81	90	89	83	88	89	90	86	90
Non-traditional competitors	na	na	70	73	79	82	83	82	79	85	89	84
Tech replacing human resources	na	na	na	na	na	85	84	85	84	86	83	82
More commoditized legal work	26	66	81	84	90	89	89	88	84	84	79	79
Increased lateral movement	na	na	na	na	73	75	75	74	71	72	78	75
More non-hourly billing	28	79	75	80	80	82	81	78	79	79	72	75
Increased use of C-Suite professionals	na	na	na	na	na	na	na	na	na	na	na	71
More part-time lawyers	na	na	na	na	71	74	73	73	70	67	69	69
Corporate work moving in-house	na	na	na	na	na	na	na	69	65	65	65	66
Fewer equity partners	23	63	68	68	72	74	70	60	68	68	62	64
More contract lawyers	28	52	60	66	75	72	72	68	70	61	60	56
Erosion of demand for law firms	na	na	na	na	na	na	na	62	66	65	58	55
Decreased realization rates	na	na	na	na	na	na	52	63	60	60	49	54
Outsourcing legal work	12	28	41	46	46	51	52	52	54	51	58	47
Smaller annual billing rate increases	na	na	57	62	68	68	60	66	64	51	46	45
Lower firmwide billable hour targets	na	na	na	na	na	na	na	na	na	32	32	36
Slowdown in Profit per Partner growth	13	27	16	48	56	58	45	47	47	39	32	34
Reduced leverage	12	42	45	58	57	65	56	54	57	na	na	na
Smaller first-year classes	11	42	40	55	62	60	61	63	57	na	na	na

na = not asked

Highlighted = peak year

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

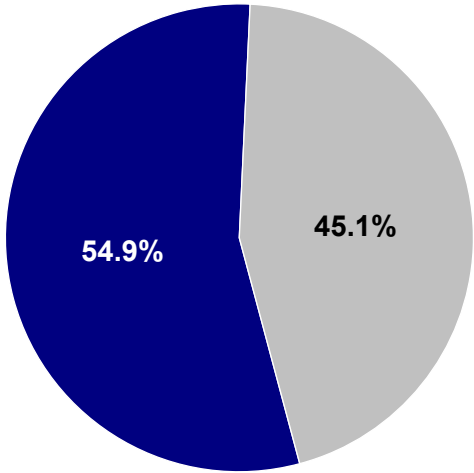
Q: Aside from your traditional law firm competitors, is your firm losing any business to other providers of legal services?

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%	4.6%	26.2%	69.2%
250 lawyers or more	0.0%	6.8%	27.3%	65.9%
CLIENT USE OF TECHNOLOGY				
Under 250 lawyers	3.1%	11.6%	57.4%	27.9%
250 lawyers or more	0.0%	13.6%	54.5%	31.8%
ALTERNATIVE LEGAL SERVICE PROVIDERS				
Under 250 lawyers	1.5%	33.8%	50.8%	13.8%
250 lawyers or more	2.3%	18.2%	59.1%	20.5%
BIG FOUR ACCOUNTING FIRMS				
Under 250 lawyers	6.2%	40.0%	46.9%	6.9%
250 lawyers or more	0.0%	11.4%	70.5%	18.2%
NON-TRADITIONAL LAW FIRMS				
Under 250 lawyers	8.5%	24.6%	56.9%	10.0%
250 lawyers or more	4.7%	37.2%	48.8%	9.3%
BRANDED MANAGED NETWORKS OF INDEPENDENT LAWYERS				
Under 250 lawyers	6.2%	51.2%	38.8%	3.9%
250 lawyers or more	7.0%	55.8%	34.9%	2.3%

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?



Differentiation is imperative in a highly competitive market. Only 55% of firms believe they are clearly differentiated. Our experience is that some firms misunderstand what being differentiated in the eyes of clients really means.

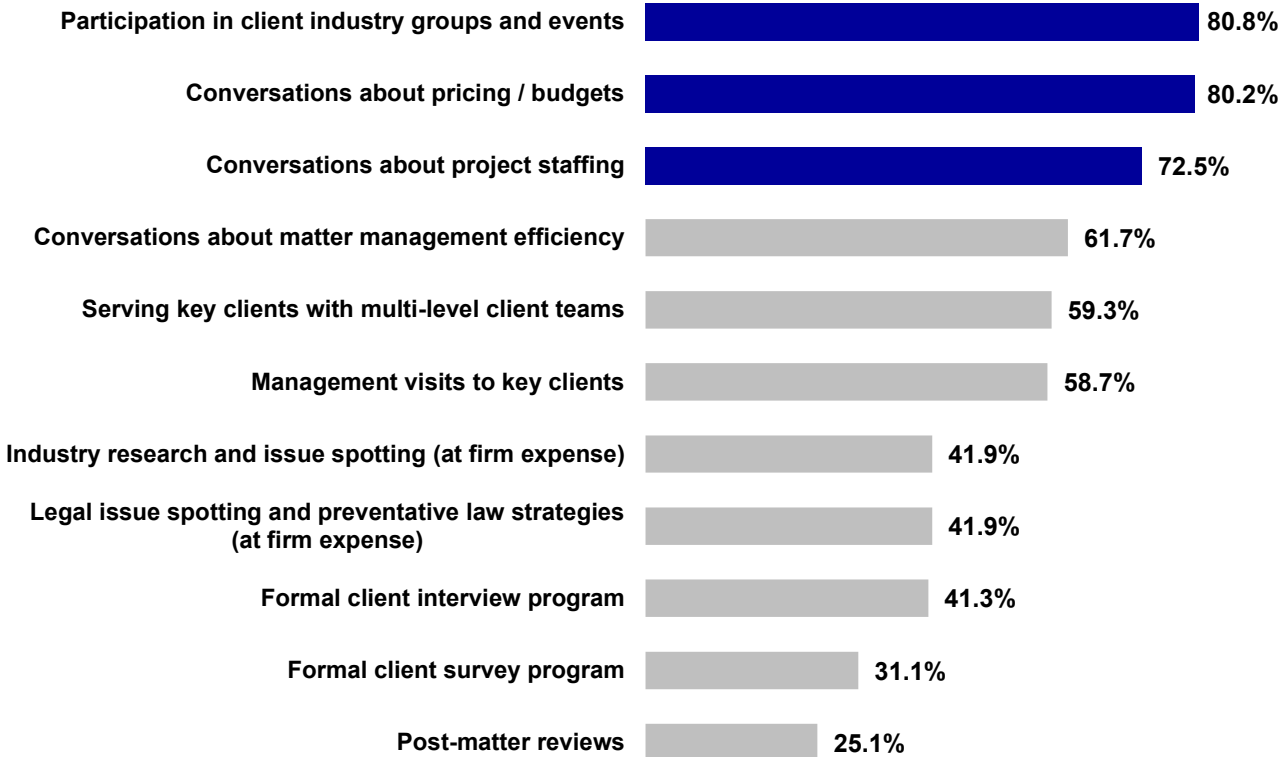


Comparison by firm size:

	YES	NO
Under 250 lawyers	53.0%	47.0%
250 lawyers or more	60.5%	39.5%

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.



Efforts to understand clients

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
Participation in client industry groups and events	83.1%	74.4%
Conversations about pricing / budgets	75.8%	93.0%
Conversations about project staffing	68.5%	83.7%
Conversations about matter management efficiency	58.9%	69.8%
Serving key clients with multi-level client teams	54.8%	72.1%
Management visits to key clients	56.5%	65.1%
Industry research and issue spotting (at firm expense)	37.9%	53.5%
Legal issue spotting/preventative law (at firm expense)	39.5%	48.8%
Formal client interview program	35.5%	58.1%
Formal client survey program	28.2%	39.5%
Post-matter reviews	17.7%	46.5%

Collaborating with Clients

NEW

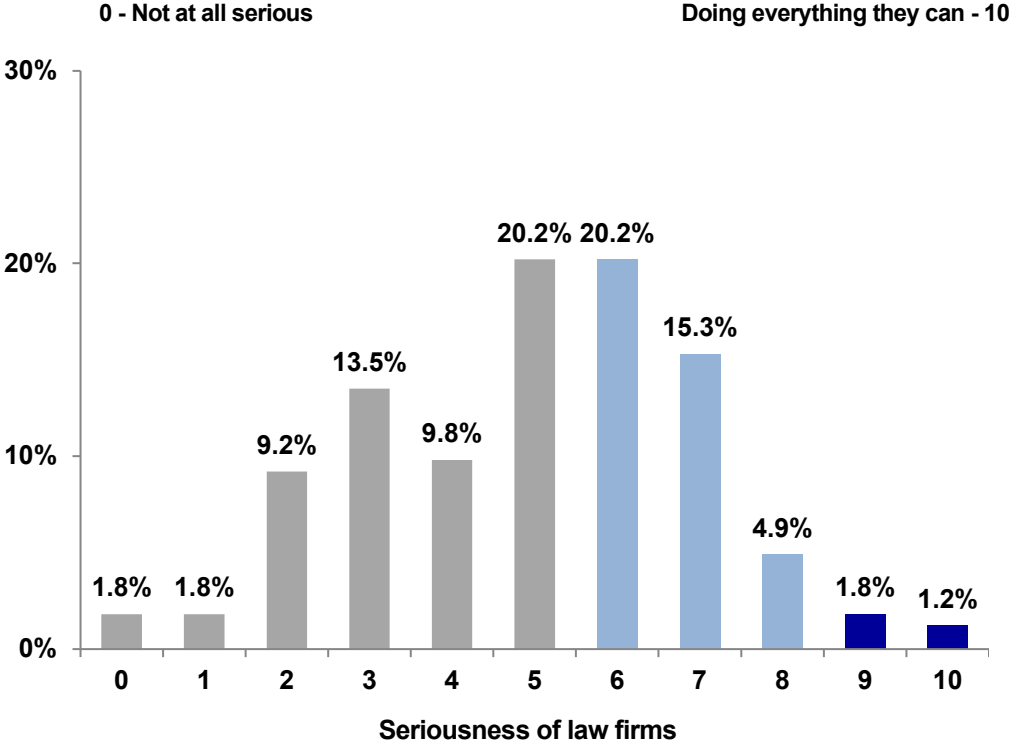
Q: In what new ways are you collaborating with clients? (Open-ended question)

SELECTED COMMENTS

- Focusing more on value: Evaluating a case early to look at risk vs. cost of litigation and recommending new strategies.
- Focusing on budgets for cases.
- Client-centered trials of (third party) interactive document management and document creation software.
- We are increasingly working with capital markets firms on large deals where we supply real estate expertise or local tax and regulatory expertise often at fixed prices.
- Developing stronger relationship on the operations level, including law firm operations to legal dept operations.
- Providing business operations advice from non-lawyer executives in the firm.
- Industry team and collaboration with multiple Practice Groups to serve clients 1+1+1=6.
- More retainer work by serving as client's law department.
- Legal personnel secondments.
- Weekly meetings with some key clients.
- More "free" education on our part, ranging from substantive issues of strategic importance to matter management, staffing, pricing, etc.

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	56.3%					40.4%			3.0%		

Median rating: 5

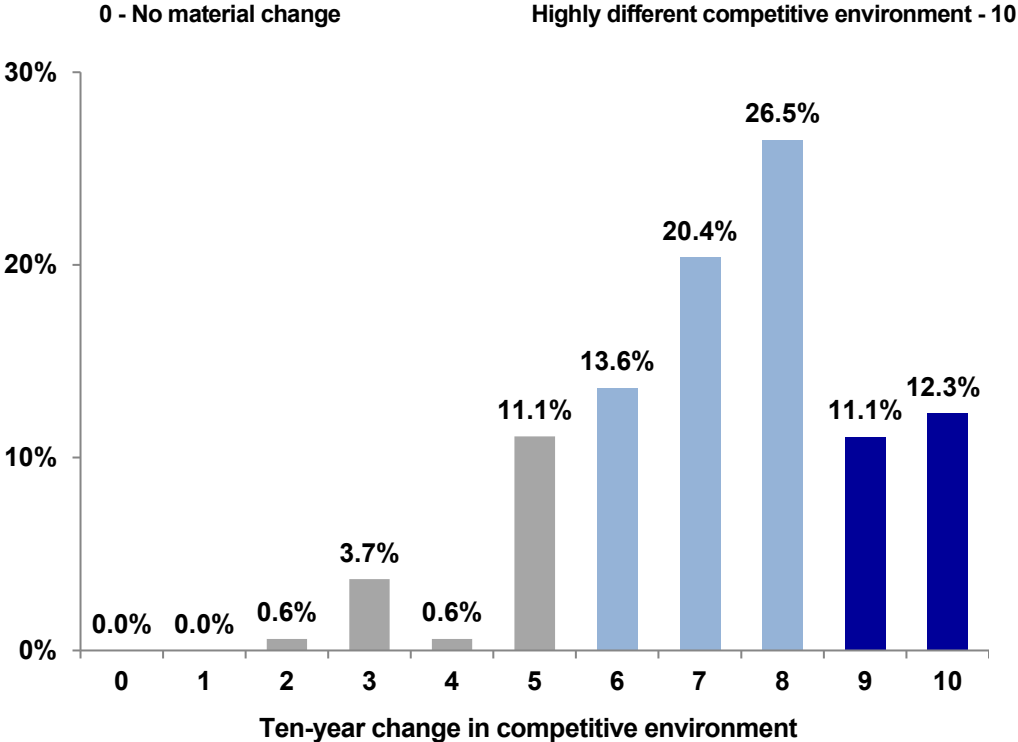
Comparison by year:

	2013	2014	2015	2016	2017	2018	2019	2020
MEDIAN	5	5	5	5	5	5	5	5

Ten Year Change: Competitive Environment

NEW

Q: In your opinion, over the last ten years, how much has the environment in which law firms compete changed?



	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	16.0%					60.5%			23.4%		

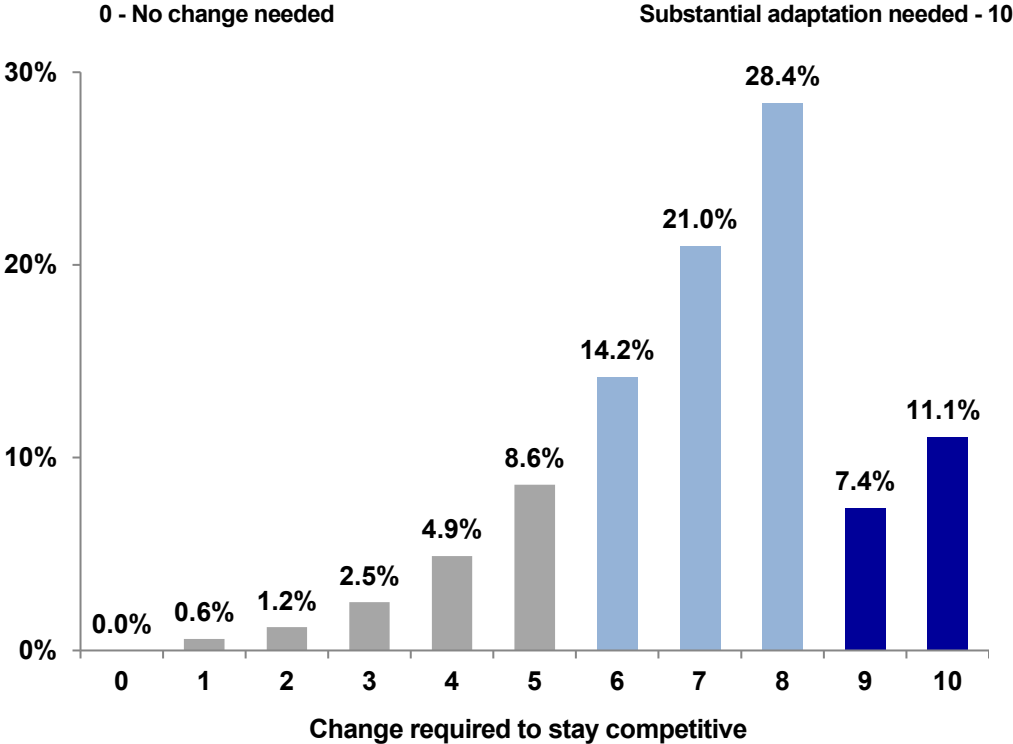
Median rating: 7

Most law firm leaders agree: the competitive environment is much different than it was ten years ago.

Ten Year Change: Competitive Effort Required

NEW

Q: In your opinion, over the last ten years, how much have law firms needed to change in order to stay competitive?



	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	17.8%					63.6%			18.5%		

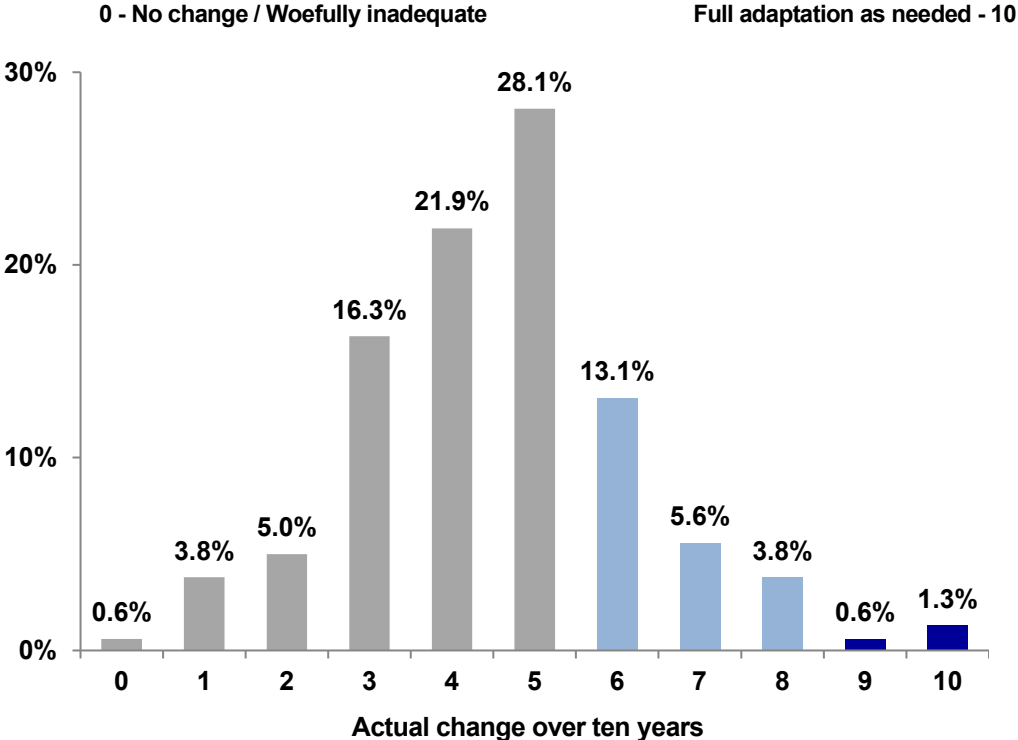
Median rating: 7

Change has clearly been necessary for law firms to keep pace with changes in the external environment.

Ten Year Change: Actual Change in Law Firms

NEW

Q: In your opinion, over the last ten years, how much have law firms actually changed compared to the amount of change that was needed?



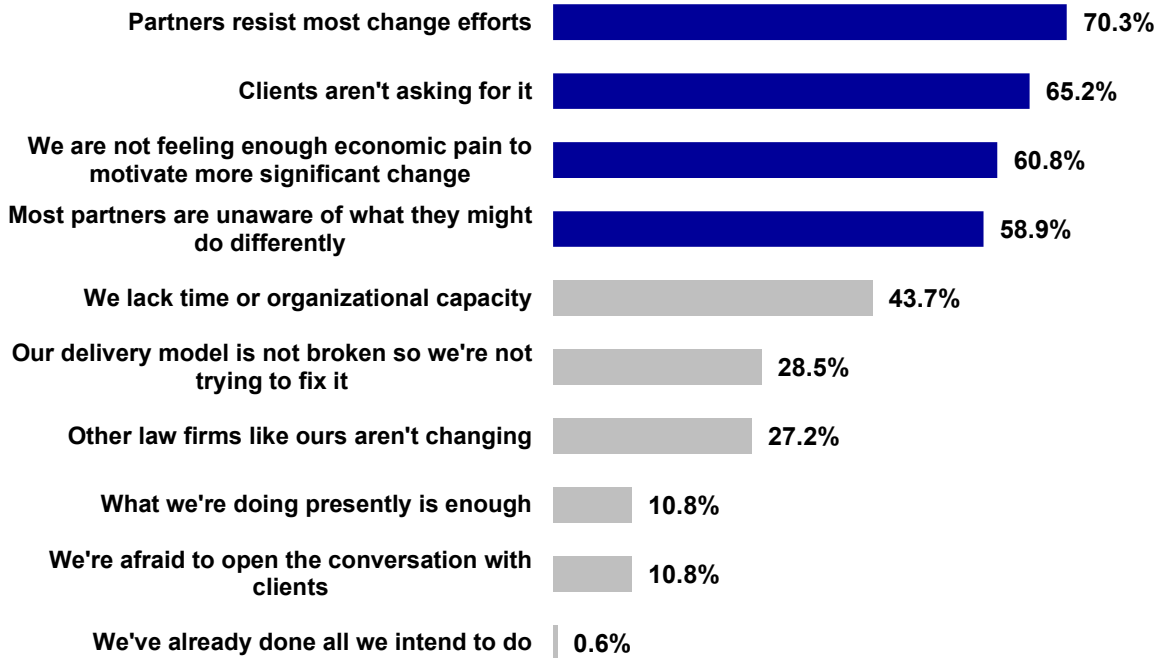
	LOW					MODERATE			HIGH		
RATING	0	1	2	3	4	5	6	7	8	9	10
RESPONSE	75.7%					22.5%			1.9%		

Median rating: 5

Few firms have met the challenge of adapting as needed to the changes being mandated by competitive forces.

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 by year:

	2015	2016	2017	2018	2019	2020
Partners resist most change efforts	44.4%	64.4%	65.0%	68.6%	69.0%	70.3%
Clients aren't asking for it	62.5%	59.1%	58.7%	54.7%	59.1%	65.2%
Not feeling enough economic pain	45.8%	55.9%	60.5%	58.7%	66.3%	60.8%
Most partners don't know what to do	NA	53.7%	56.0%	60.2%	59.8%	58.9%

Leading Change: Leadership Tactics

Q: Research shows that law firm leaders, though usually well aware of the threats and opportunities presented by the changing legal marketplace, have trouble achieving significant change among the broader partnership. Which, if any, of the following are you undertaking in your firm to lead change? Select all that apply.



Leading Change: Leadership Tactics

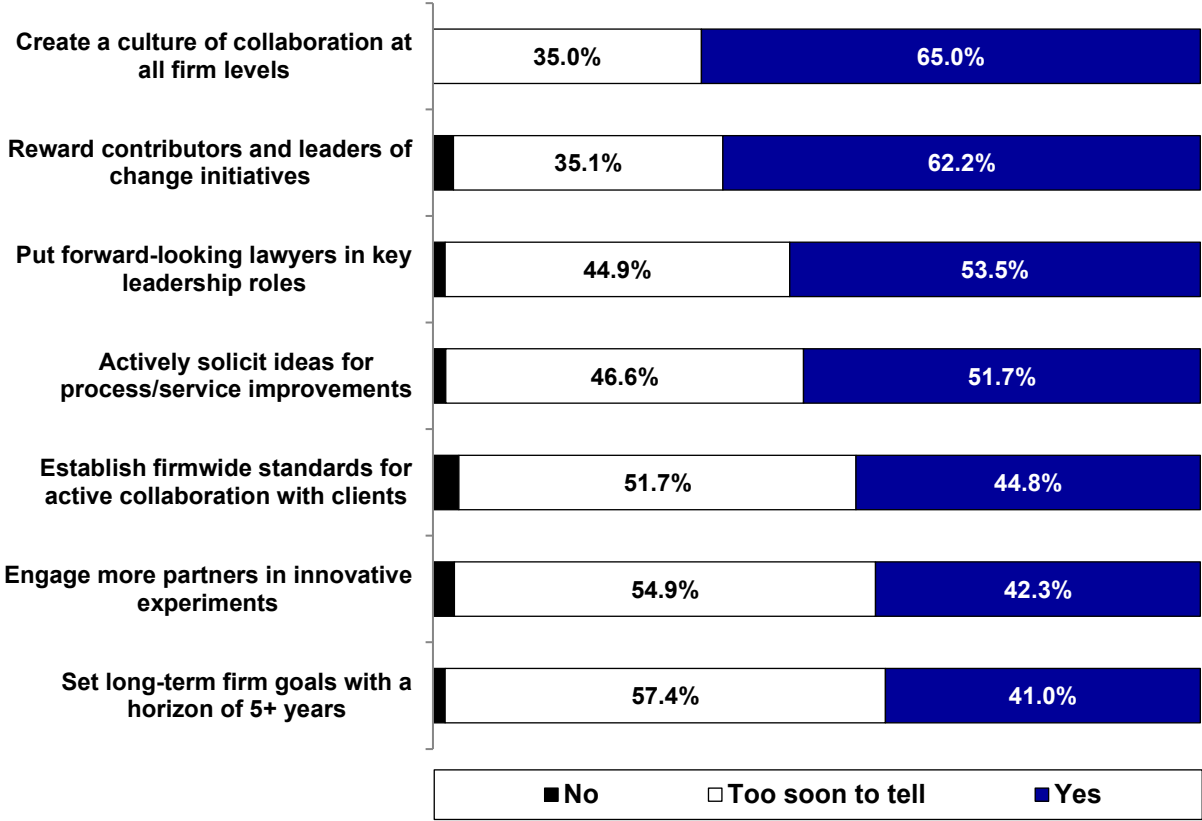
Q: Research shows that law firm leaders, though usually well aware of the threats and opportunities presented by the changing legal marketplace, have trouble achieving significant change among the broader partnership. Which, if any, of the following are you undertaking in your firm to lead change? Select all that apply.

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Put forward-looking lawyers in key leadership roles	81.7%	80.5%
Create a culture of collaboration at all firm levels	74.8%	90.2%
Actively solicit ideas for process/service improvements	72.2%	80.5%
Reward contributors and leaders of change initiatives	39.1%	70.7%
Engage more partners in innovative experiments	41.7%	56.1%
Set long-term firm goals with a horizon of 5+ years	37.4%	43.9%
Establish firmwide standards for collaboration with clients	15.7%	29.3%

Leading Change: What Works

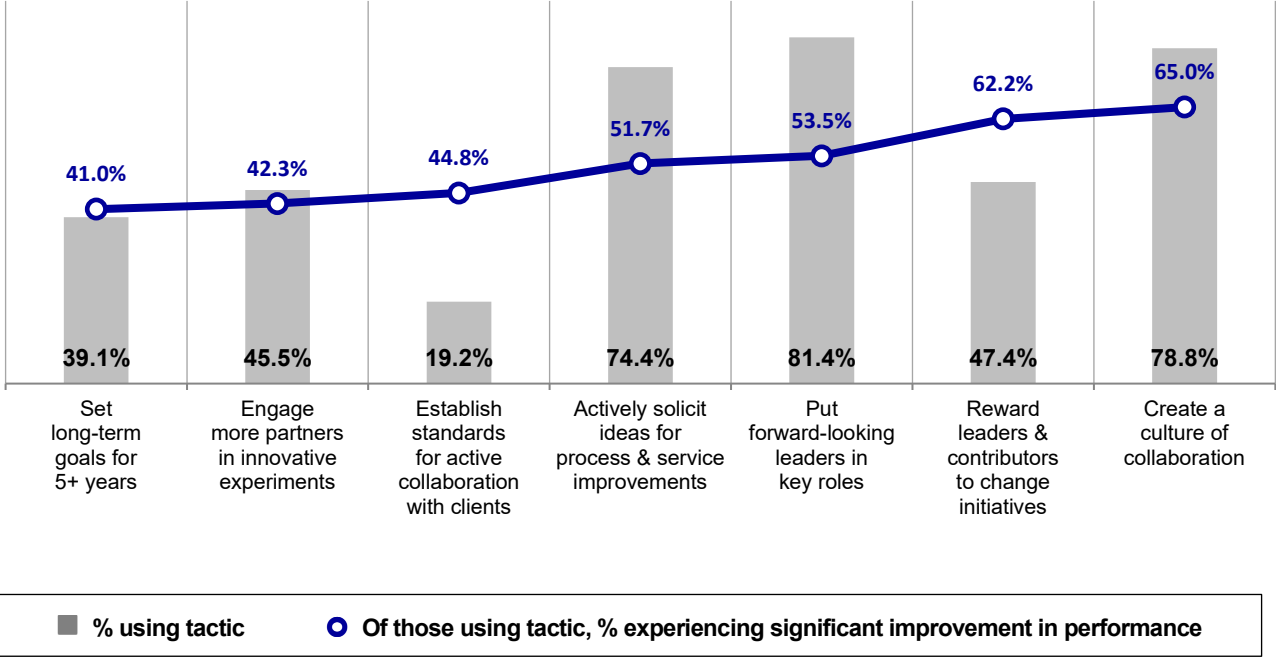
Q: For each of those things you've done to lead change in your law firm, has the action resulted in improved firm performance?



Leading Change: What Works

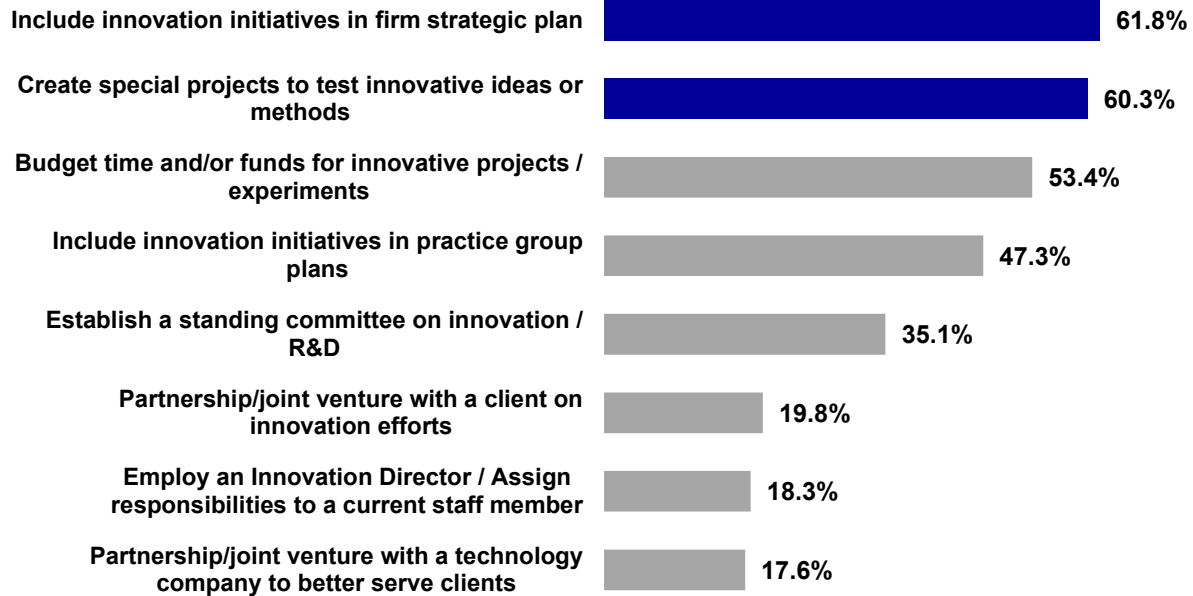
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Leading Change: Innovation Initiatives

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:

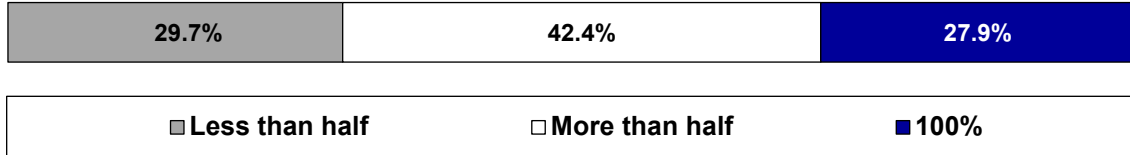
	Under 250 lawyers	250 lawyers or more
Include innovation initiatives in firm strategic plan	56.5%	74.4%
Create special projects to test innovative ideas/methods	54.3%	74.4%
Budget time/funds for innovative projects/experiments	54.3%	51.3%
Include innovation initiatives in practice group plans	42.4%	59.0%
Establish a standing committee on innovation / R&D	28.3%	51.3%
Partner with a client on innovation efforts	16.3%	28.2%
Employ an Innovation Director / Assign to staff member	10.9%	35.9%
Partner with a tech company to better serve clients	14.1%	25.6%

Leadership Time: Managing Partners

NEW

Q: How much of your Managing Partner's total time is spent on non-billable management hours (vs. billable client hours)?

'Managing Partner' is defined as the lawyer-leader most directly responsible for the firm's strategic management.



Non-billable management time

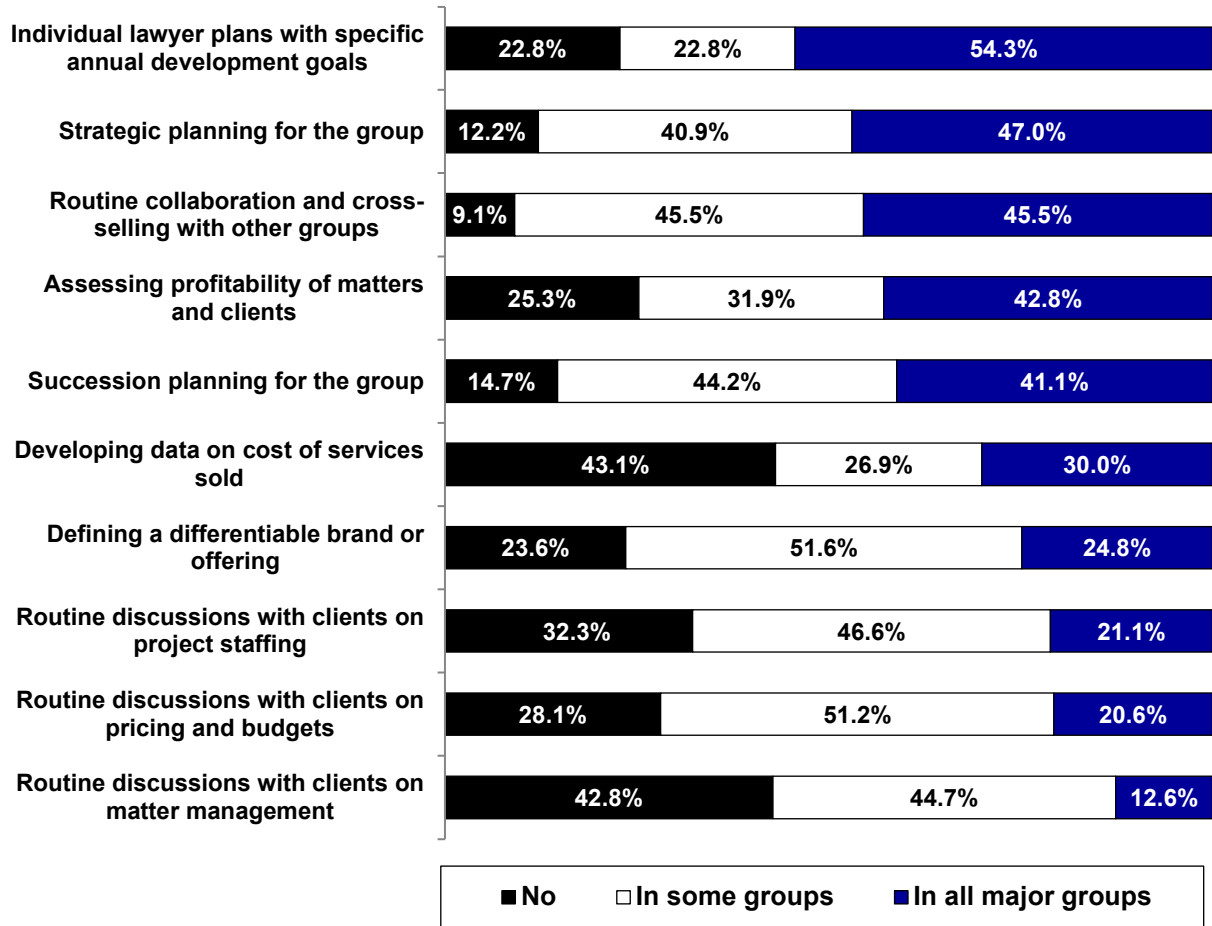
Comparison by firm size:

	Less than half	More than half	100%
Under 250 lawyers	36.1%	46.7%	17.2%
250 lawyers or more	11.6%	30.2%	58.1%

Practice / Industry Groups Leadership

NEW

Q: Is your firm pursuing each of these efforts at the Practice / Industry Group level?



Practice / Industry Groups Leadership

NEW

Q: Is your firm pursuing each of these efforts at the Practice / Industry Group level?

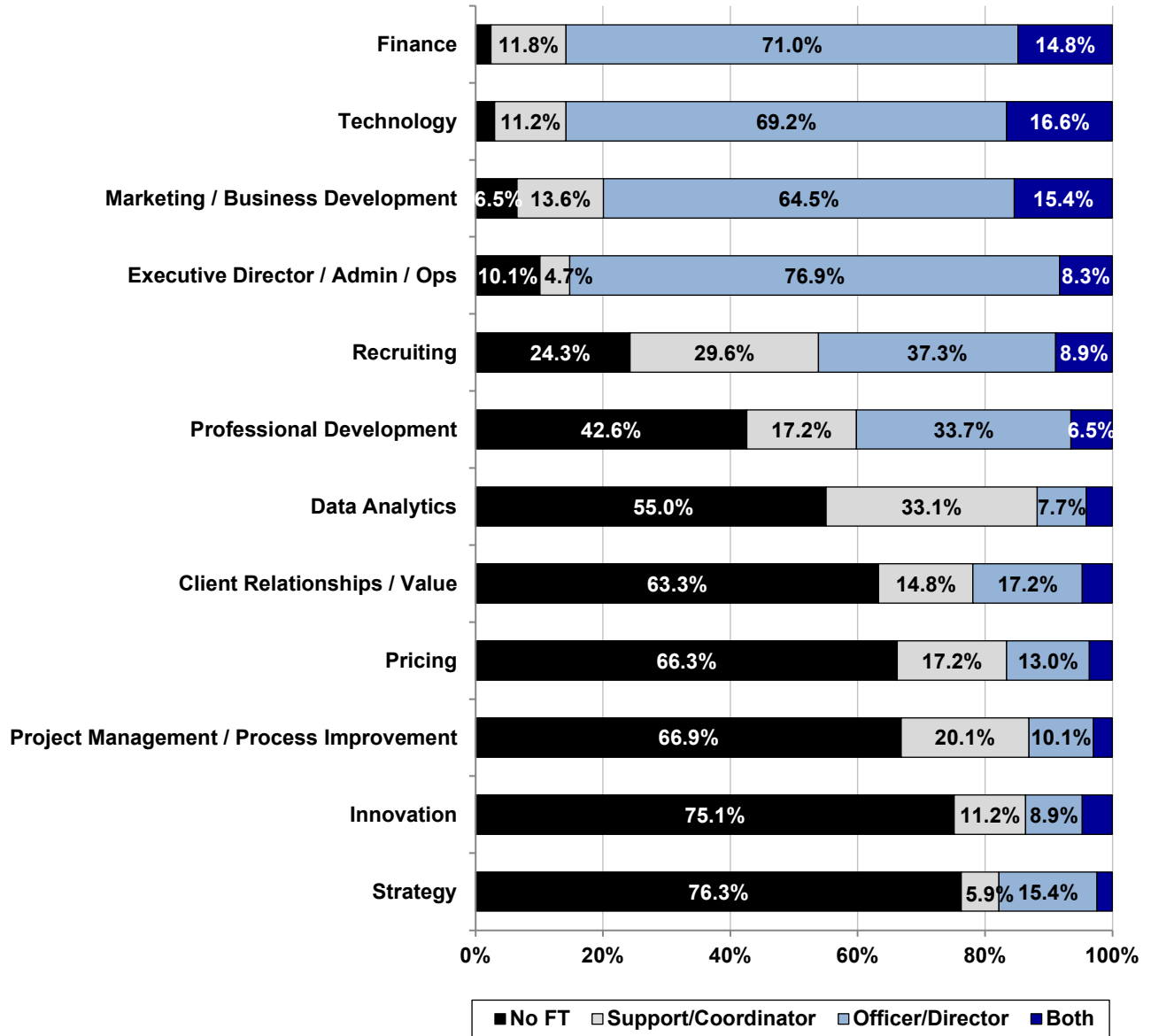
Firms doing so 'in all major groups' by firm size:

	Under 250 lawyers	250 lawyers or more
Lawyer plans with specific annual development goals	52.1%	60.5%
Strategic planning for the group	38.8%	69.8%
Routine collaboration and cross-selling with other groups	40.2%	60.5%
Assessing profitability of matters and clients	36.6%	60.5%
Succession planning for the group	37.7%	51.2%
Developing data on cost of services sold	29.4%	31.7%
Defining a differentiable brand or offering	22.9%	30.2%
Routine discussions with clients on project staffing	16.0%	35.7%
Routine discussions with clients on pricing and budgets	14.4%	38.1%
Routine discussions with clients on matter management	6.9%	27.9%

Professional Management Roles

NEW

Q: Does your firm employ one or more individuals full-time in each of the following business roles and levels?



Professional Management Roles – By Firm Size

NEW

Q: Does your firm employ one or more individuals full-time in each of the following business roles and levels?

	Support / Coordinator	Officer / Director	Both	Total
FINANCE				
Under 250 lawyers	14.4%	69.6%	12.8%	96.8%
250 lawyers or more	4.5%	75.0%	20.5%	100.0%
TECHNOLOGY				
Under 250 lawyers	14.4%	66.4%	15.2%	96.0%
250 lawyers or more	2.3%	77.3%	20.5%	100.0%
MARKETING / BUSINESS DEVELOPMENT				
Under 250 lawyers	17.6%	61.6%	12.0%	91.2%
250 lawyers or more	2.3%	72.7%	25.0%	100.0%
EXECUTIVE DIRECTOR / ADMIN / OPS				
Under 250 lawyers	6.4%	77.6%	6.4%	90.4%
250 lawyers or more	0.0%	75.0%	13.6%	88.6%
RECRUITING				
Under 250 lawyers	30.4%	34.4%	5.6%	70.4%
250 lawyers or more	27.3%	45.5%	18.2%	91.0%
PROFESSIONAL DEVELOPMENT				
Under 250 lawyers	13.6%	30.4%	2.4%	46.4%
250 lawyers or more	27.3%	43.2%	18.2%	88.7%

Professional Management Roles – By Firm Size

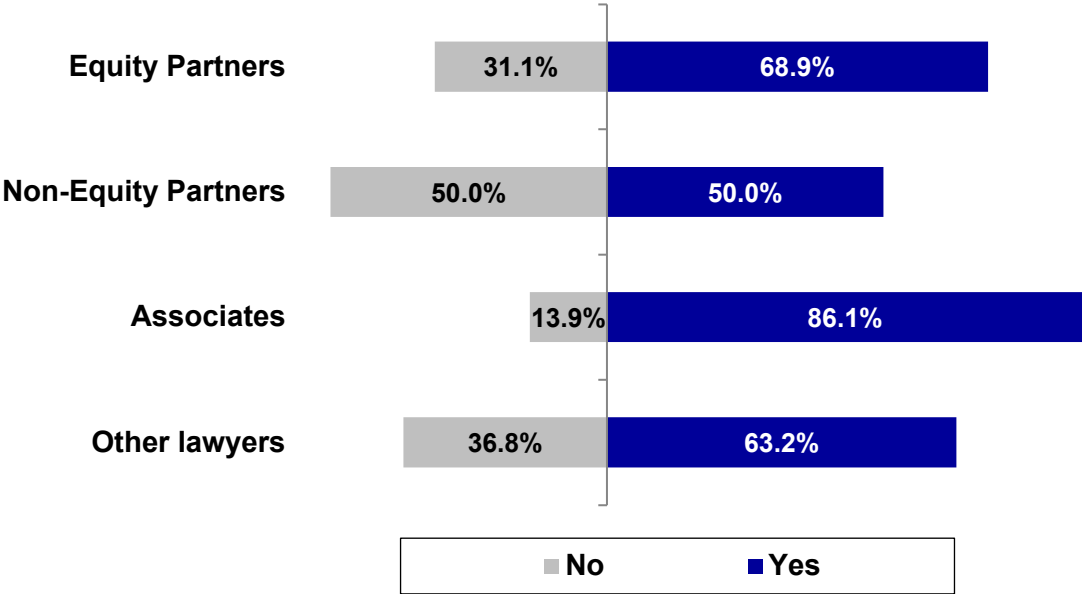
NEW

Q: Does your firm employ one or more individuals full-time in each of the following business roles and levels?

	Support / Coordinator	Officer / Director	Both	Total
DATA ANALYTICS				
Under 250 lawyers	26.4%	8.0%	0.8%	35.2%
250 lawyers or more	52.3%	6.8%	13.6%	72.7%
CLIENT RELATIONSHIPS / VALUE				
Under 250 lawyers	15.2%	10.4%	2.4%	28.0%
250 lawyers or more	13.6%	36.4%	11.4%	61.4%
PRICING				
Under 250 lawyers	14.4%	5.6%	0.8%	20.8%
250 lawyers or more	25.0%	34.0%	11.4%	70.4%
PROJECT MANAGEMENT / PROCESS IMPROVEMENT				
Under 250 lawyers	16.8%	5.6%	0.8%	23.2%
250 lawyers or more	29.5%	22.7%	9.1%	61.3%
INNOVATION				
Under 250 lawyers	11.2%	5.6%	2.4%	19.2%
250 lawyers or more	11.4%	18.2%	11.4%	41.0%
STRATEGY				
Under 250 lawyers	5.6%	10.4%	0.0%	16.0%
250 lawyers or more	6.8%	29.5%	9.1%	45.4%

Productivity: By Lawyer Category

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



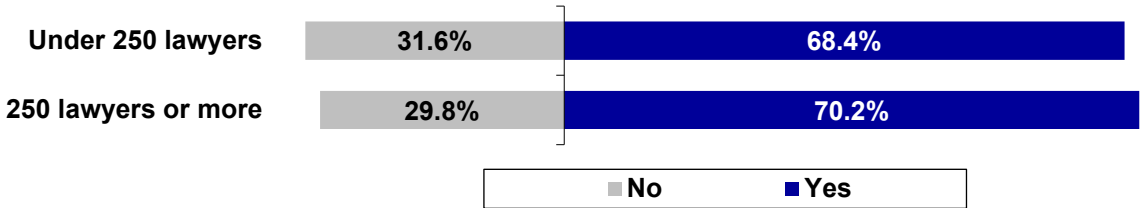
Comparison by year of those firms in which lawyers are 'Sufficiently busy':

	2018	2019	2020
Equity Partners	49.0%	62.9%	68.9%
Non-Equity Partners	40.9%	49.4%	50.0%
Associates	74.2%	77.6%	86.1%
Other Lawyers	59.3%	62.7%	63.2%

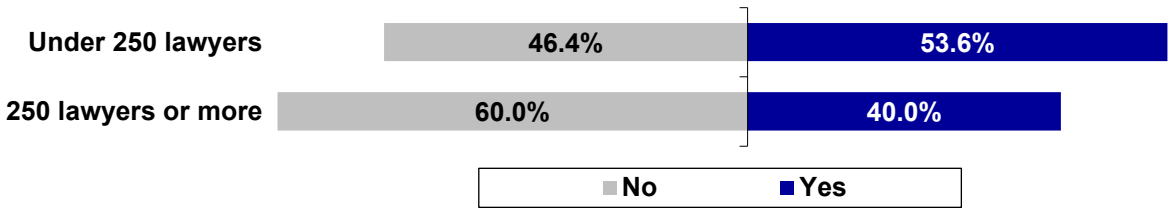
Productivity: By Lawyer Category

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

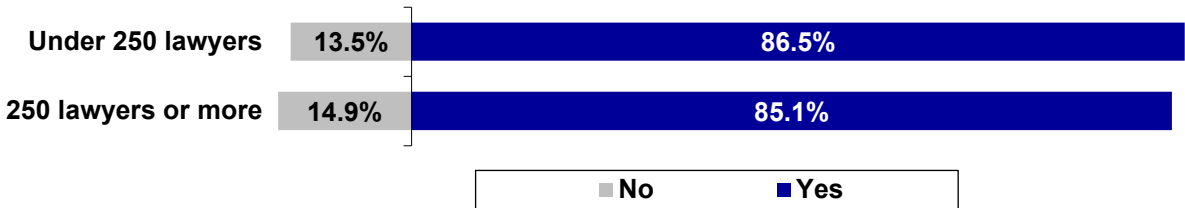
EQUITY PARTNERS – BY FIRM SIZE



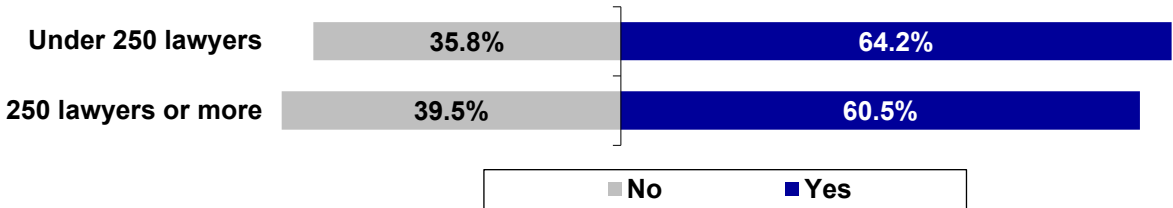
NON-EQUITY PARTNERS – BY FIRM SIZE



ASSOCIATES – BY FIRM SIZE

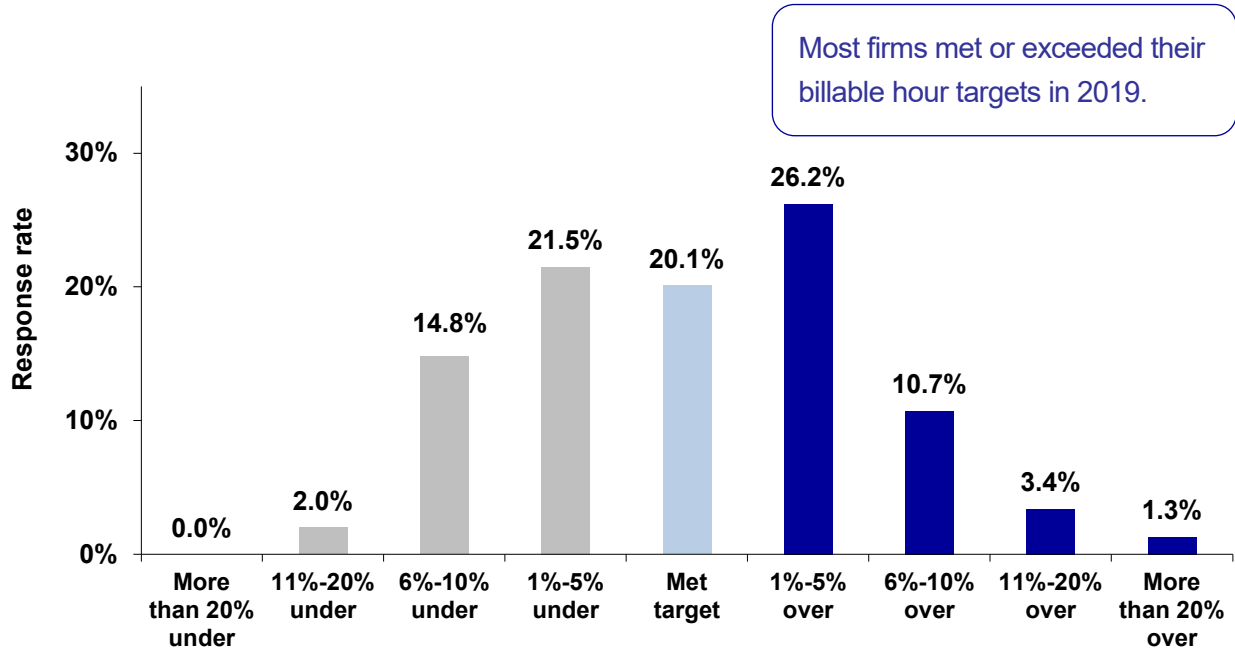


OTHER LAWYERS – BY FIRM SIZE



Productivity: 2019 Annual Billable Hour Targets

Q: In 2019, 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	40.4%	20.2%	39.4%
250 lawyers or more	32.5%	20.0%	47.5%

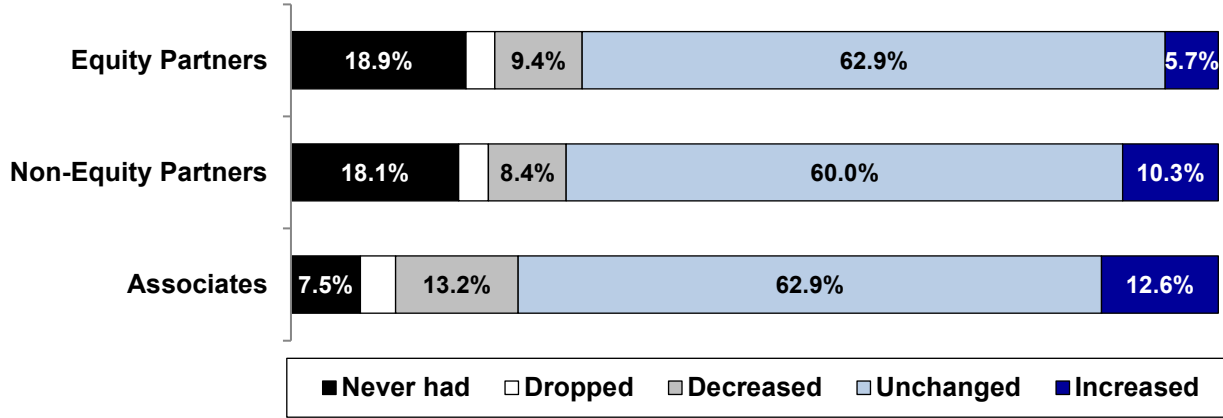
Comparison by year:

	UNDER	MET TARGET	OVER
2019 hours vs. target	38.3%	20.1%	41.6%
2018 hours vs. target	39.9%	18.8%	41.1%
2017 hours vs. target	48.8%	21.0%	30.1%

Productivity: Billable Hour Requirements

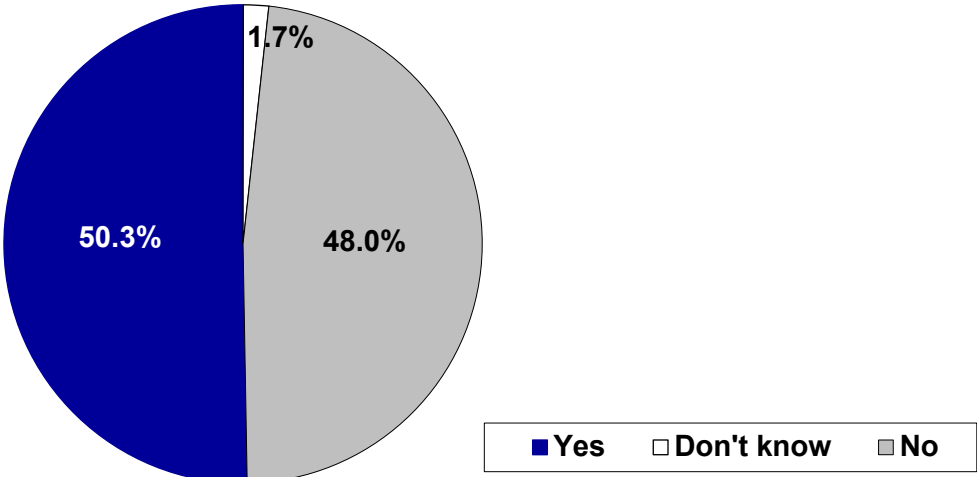
NEW

Q: Over the last ten years, how has your firm changed its billable hour requirements for each of the following lawyer classes?



Productivity: Overcapacity

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



Comparison by firm size:

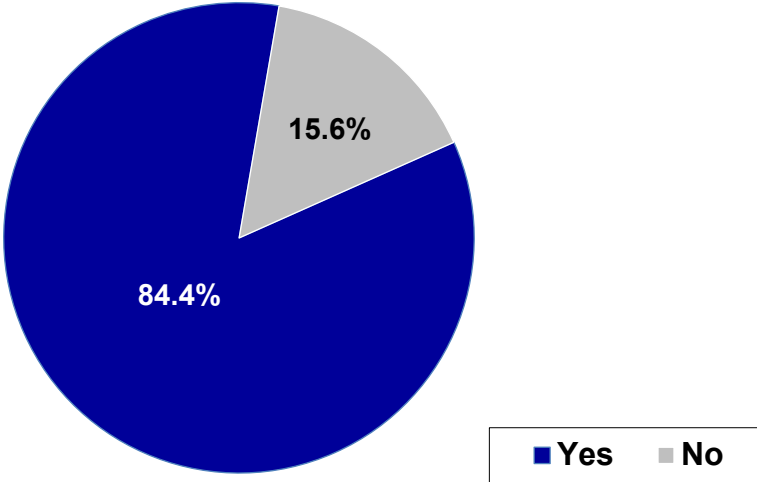
	Yes	Don't know	No
Under 250 lawyers	48.1%	1.5%	50.4%
250 lawyers or more	56.5%	2.2%	41.3%

Comparison by year:

	2015	2016	2017	2018	2019	2020
YES	60.6%	59.5%	60.8%	57.8%	55.7%	50.3%

Productivity: Under-Performing Lawyers

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



Comparison by firm size:

	Yes	No
Under 250 lawyers	85.8%	14.2%
250 lawyers or more	80.4%	19.6%

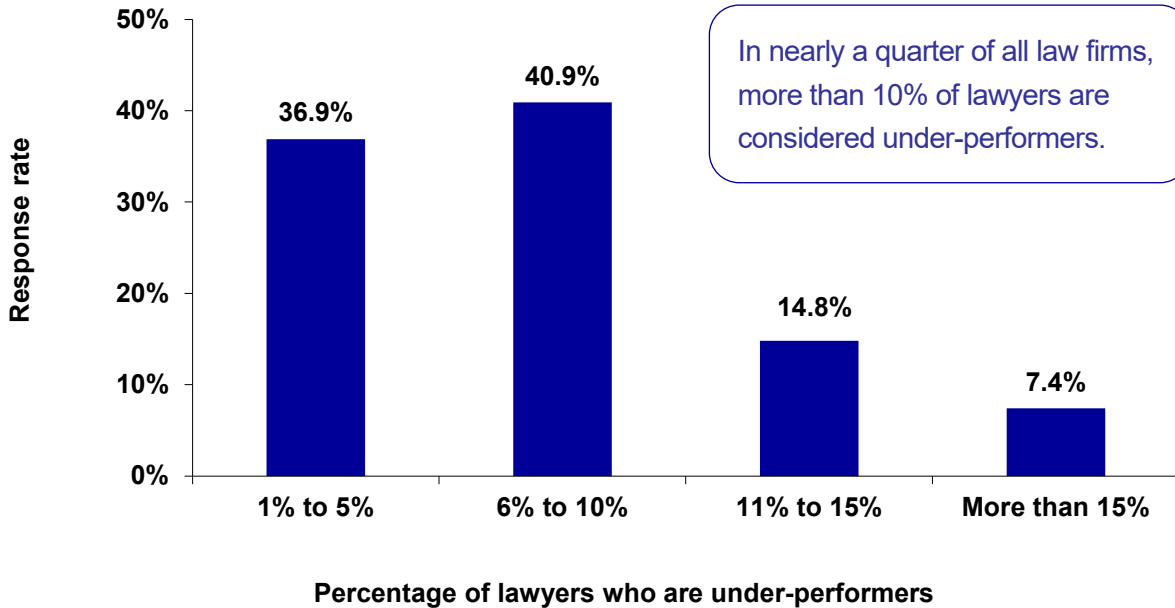
Comparison by year:

	2017	2018	2019	2020
YES	87.9%	83.2%	84.2%	84.4%

Under-Performing Lawyers: Percentage of All Lawyers

NEW

Q: In 2020, about what percentage of your firm's lawyers do you consider to be under-performers?



Median: 6% to 10%

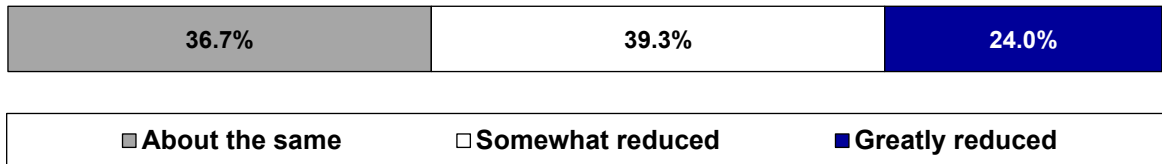
Comparison by firm size:

	1% - 5%	6% - 10%	11% - 15%	More than 15%
Under 250 lawyers	40.7%	37.2%	14.2%	8.0%
250 lawyers or more	25.0%	52.8%	16.7%	5.6%

Ten Year Change: Under-Performing Lawyers

NEW

Q: As a percentage of total lawyers, does your firm have fewer chronically under-performing lawyers than it did ten years ago?



Comparison by firm size:

	About the same	Somewhat reduced	Greatly reduced
Under 250 lawyers	41.2%	37.7%	21.1%
250 lawyers or more	22.2%	44.4%	33.3%

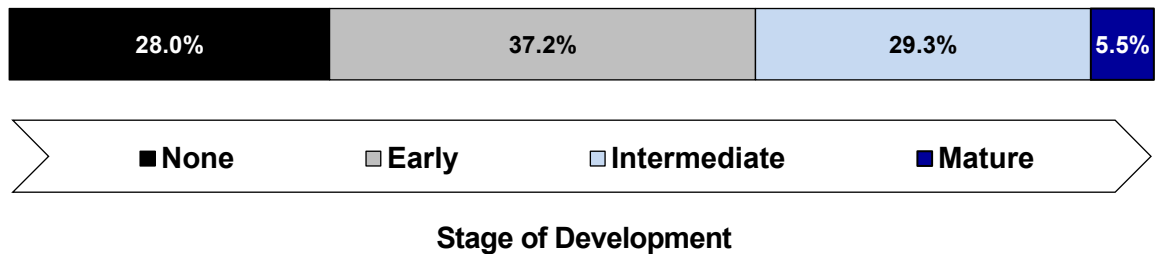
Alternative Staffing Strategy: Maturity Model

NEW

Q: Using the scale provided, how would you characterize your firm's progress on your strategic business model as it pertains to alternative staffing strategy (labor arbitrage)?

- **None:** No real action in this area
- **Early:** Limited experimentation, ad hoc efforts, not standardized or centralized, benefits not well understood firmwide, not broadly adopted, still working on a plan
- **Intermediate:** Significant adoption and adaptation in the firm, with policies, procedures, roles, responsibilities defined if not fully enforced, outcomes mixed, potential benefits generally understood
- **Mature:** Embedded firmwide, substantial competency across the firm, structure and tools in place, performance metrics available, clear alignment with firm goals

Two-thirds of firms have not begun or are at an early stage.

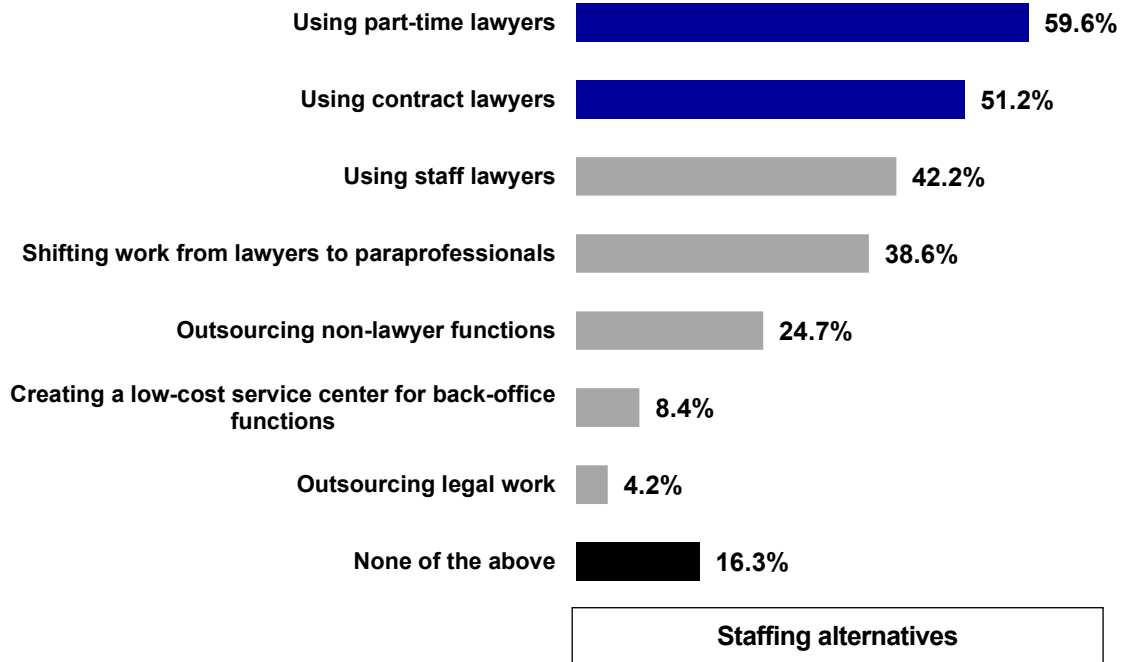


Comparison by firm size:

	NONE	EARLY	INTERMEDIATE	MATURE
Under 250 lawyers	32.8%	39.3%	23.8%	4.1%
250 lawyers or more	14.3%	31.0%	45.2%	9.5%

Alternative Staffing Strategies

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

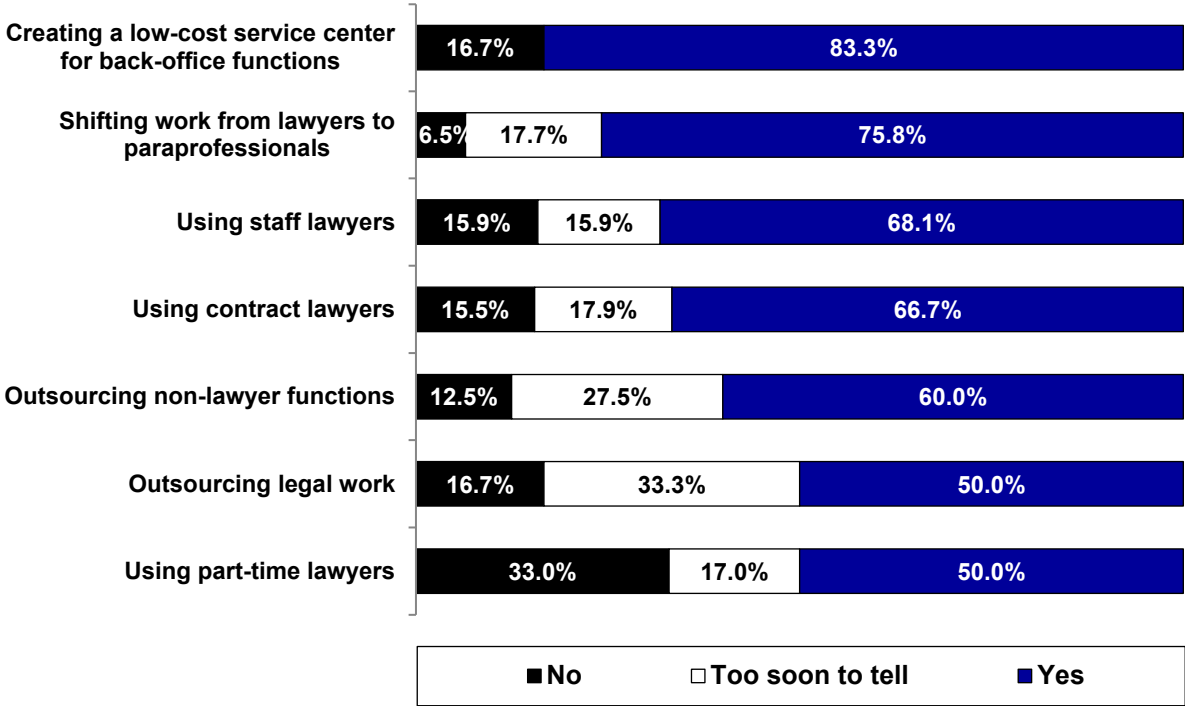


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using part-time lawyers	56.1%	69.8%
Using contract lawyers	42.3%	76.7%
Using staff lawyers	30.9%	74.4%
Shifting work from lawyers to paraprofessionals	35.8%	46.5%
Outsourcing non-lawyer functions	23.6%	27.9%
Creating a low-cost service center for back office	4.9%	18.6%
Outsourcing legal work	2.4%	9.3%
None of the above	20.3%	4.7%

Alternative Staffing: What Works

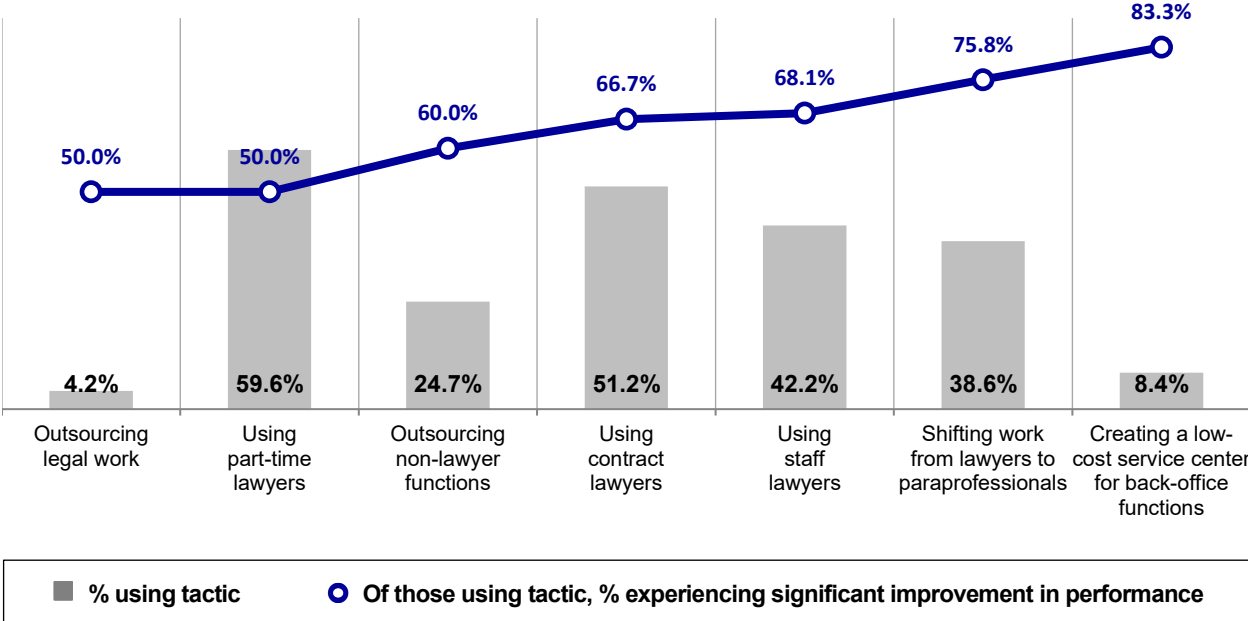
Q: For each of the alternative staffing tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



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:



Efficiency of Legal Service Delivery: Maturity Model

NEW

Q: Using the scale provided, how would you characterize your firm's progress on your strategic business model as it pertains to efficiency of legal service delivery?

- **None:** No real action in this area
- **Early:** Limited experimentation, ad hoc efforts, not standardized or centralized, benefits not well understood firmwide, not broadly adopted, still working on a plan
- **Intermediate:** Significant adoption and adaptation in the firm, with policies, procedures, roles, responsibilities defined if not fully enforced, outcomes mixed, potential benefits generally understood
- **Mature:** Embedded firmwide, substantial competency across the firm, structure and tools in place, performance metrics available, clear alignment with firm goals

Most firms are at an early or intermediate stage of development.



Stage of Development

Comparison by firm size:

	NONE	EARLY	INTERMEDIATE	MATURE
Under 250 lawyers	13.1%	41.8%	39.3%	5.7%
250 lawyers or more	4.7%	46.5%	44.2%	4.7%

Efforts to Increase Efficiency

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

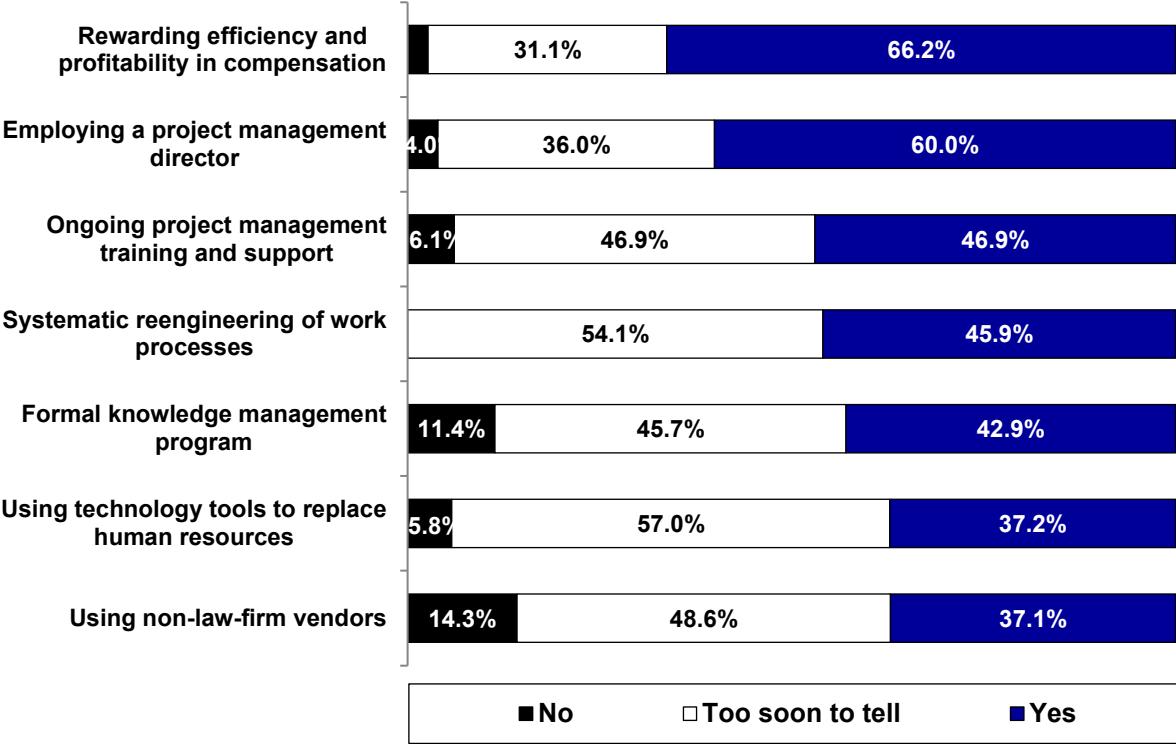


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Using technology tools to replace human resources	52.4%	57.1%
Rewarding efficiency/profitability in comp decisions	41.1%	59.5%
Ongoing project management training and support	25.8%	47.6%
Formal knowledge management program	14.5%	45.2%
Systematic reengineering of work processes	18.5%	33.3%
Using non-law-firm vendors	19.4%	28.6%
Employing a project management director	5.6%	45.2%
None of the above	20.2%	4.8%

Efficiency Tactics: What Works

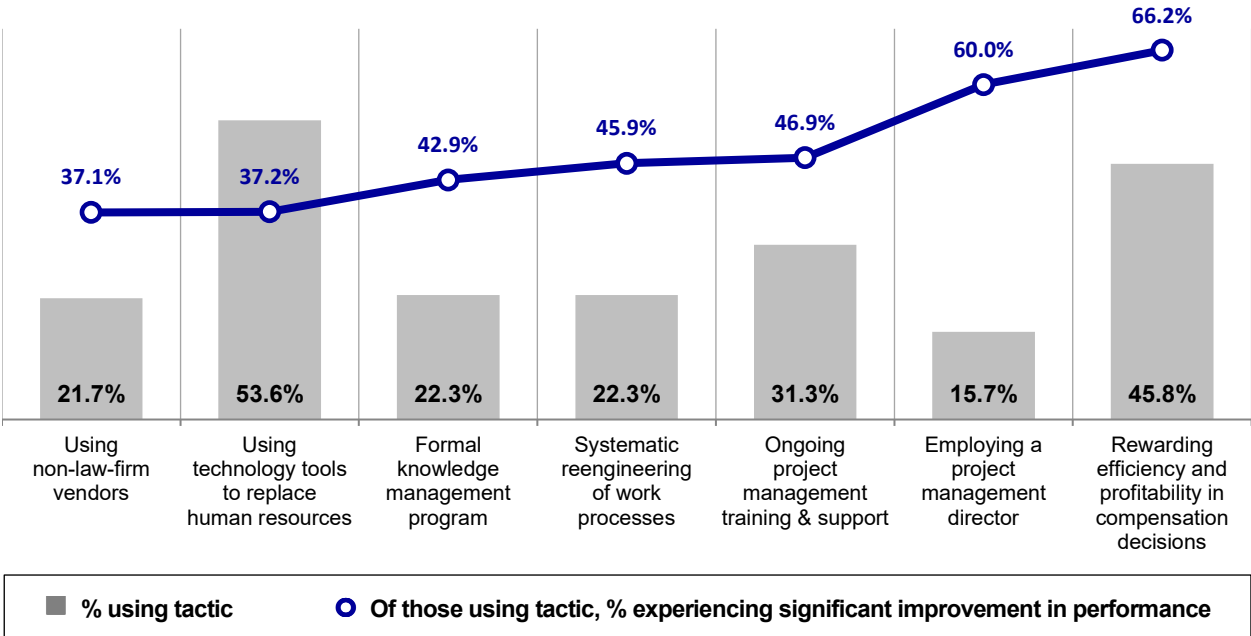
Q: For each of the legal service efficiency tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



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:



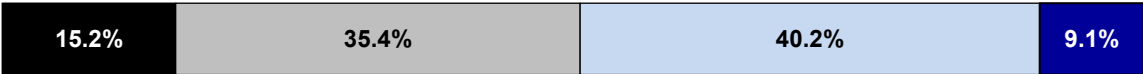
Pricing Strategy: Maturity Model

NEW

Q: Using the scale provided, how would you characterize your firm's progress on your strategic business model as it pertains to pricing strategy?

- **None:** No real action in this area
- **Early:** Limited experimentation, ad hoc efforts, not standardized or centralized, benefits not well understood firmwide, not broadly adopted, still working on a plan
- **Intermediate:** Significant adoption and adaptation in the firm, with policies, procedures, roles, responsibilities defined if not fully enforced, outcomes mixed, potential benefits generally understood
- **Mature:** Embedded firmwide, substantial competency across the firm, structure and tools in place, performance metrics available, clear alignment with firm goals

Most firms are at an early or intermediate stage of development.



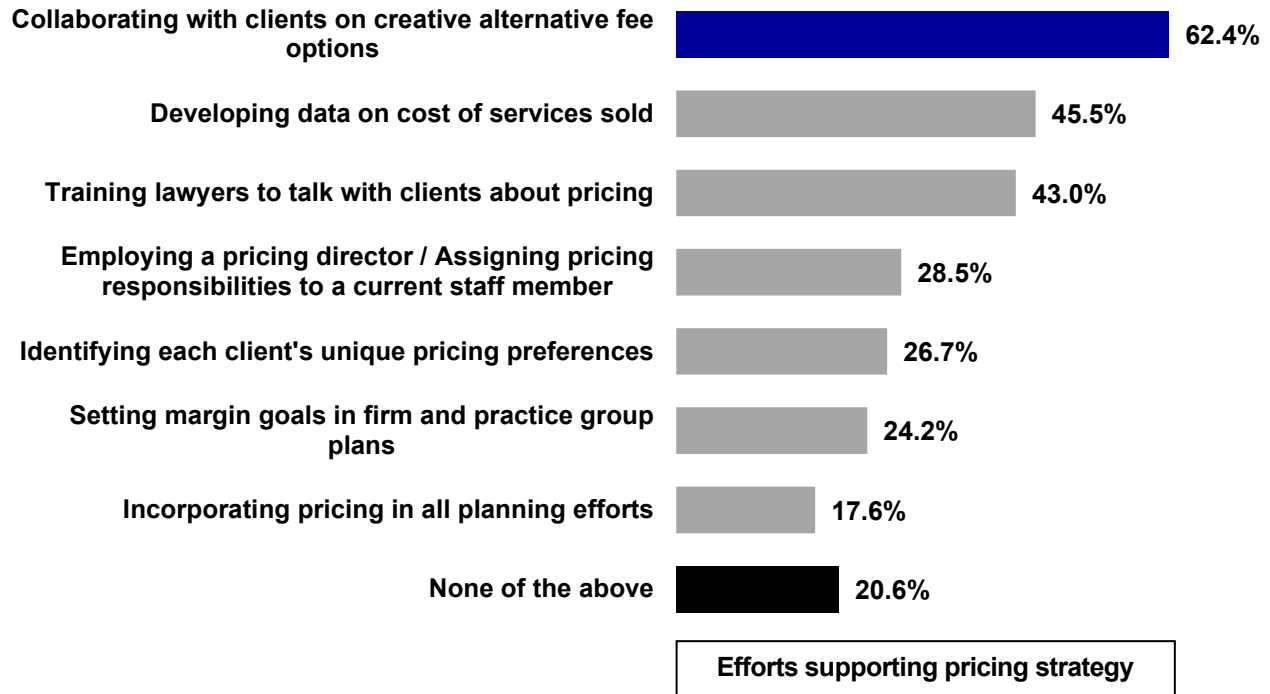
Stage of Development

Comparison by firm size:

	NONE	EARLY	INTERMEDIATE	MATURE
Under 250 lawyers	19.8%	38.0%	36.4%	5.8%
250 lawyers or more	2.3%	27.9%	51.2%	18.6%

Efforts to Support Pricing Strategy

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

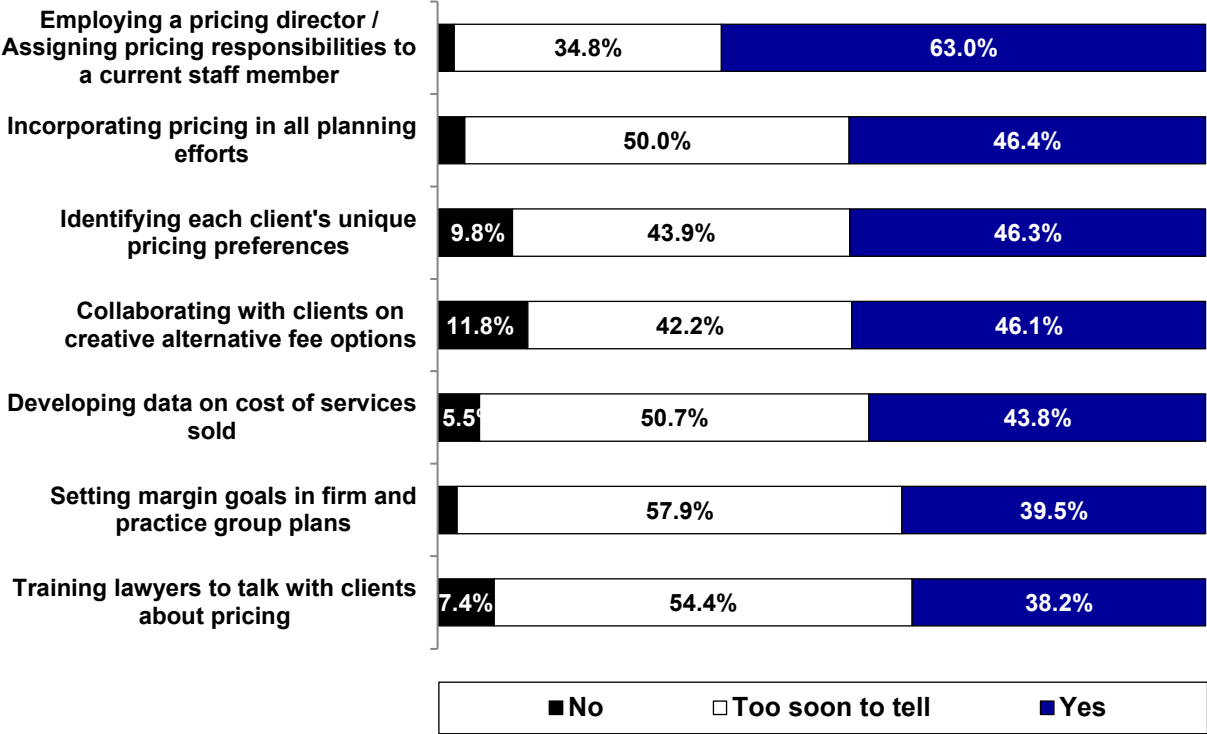


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Collaborating with clients on creative fee options	56.6%	79.1%
Developing data on cost of services sold	36.9%	69.8%
Training lawyers to talk with clients about pricing	37.7%	58.1%
Employing a Pricing Director / staff member	13.9%	69.8%
Identifying each client's unique pricing preferences	22.1%	39.5%
Setting margin goals in firm and practice group plans	17.2%	44.2%
Incorporating pricing in all planning efforts	11.5%	34.9%
None of the above	27.0%	2.3%

Pricing Tactics: What Works

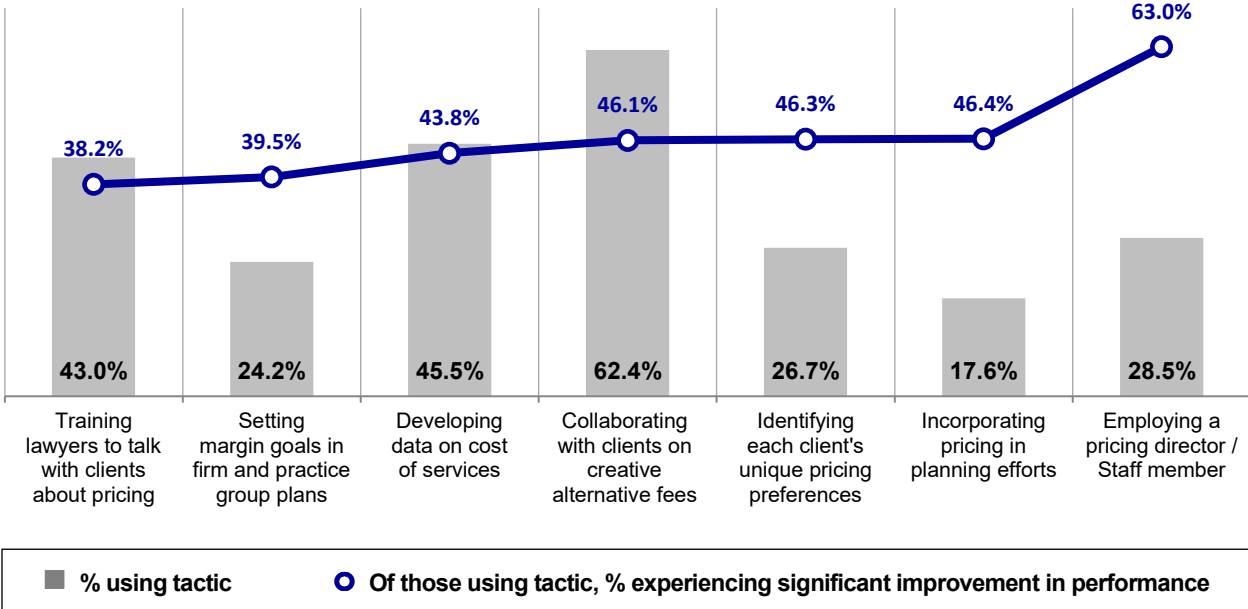
Q: For each of the pricing tactics your firm is pursuing, has it resulted in a significant improvement in firm performance?



Pricing Tactics: What Works

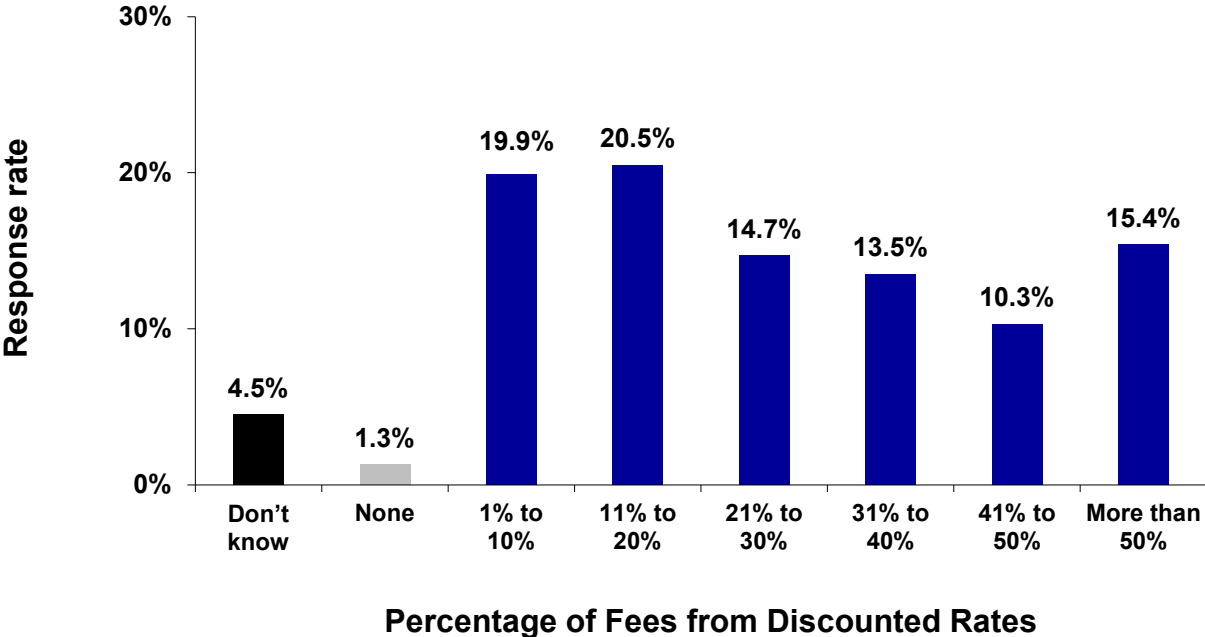
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



Pricing: Discounts

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



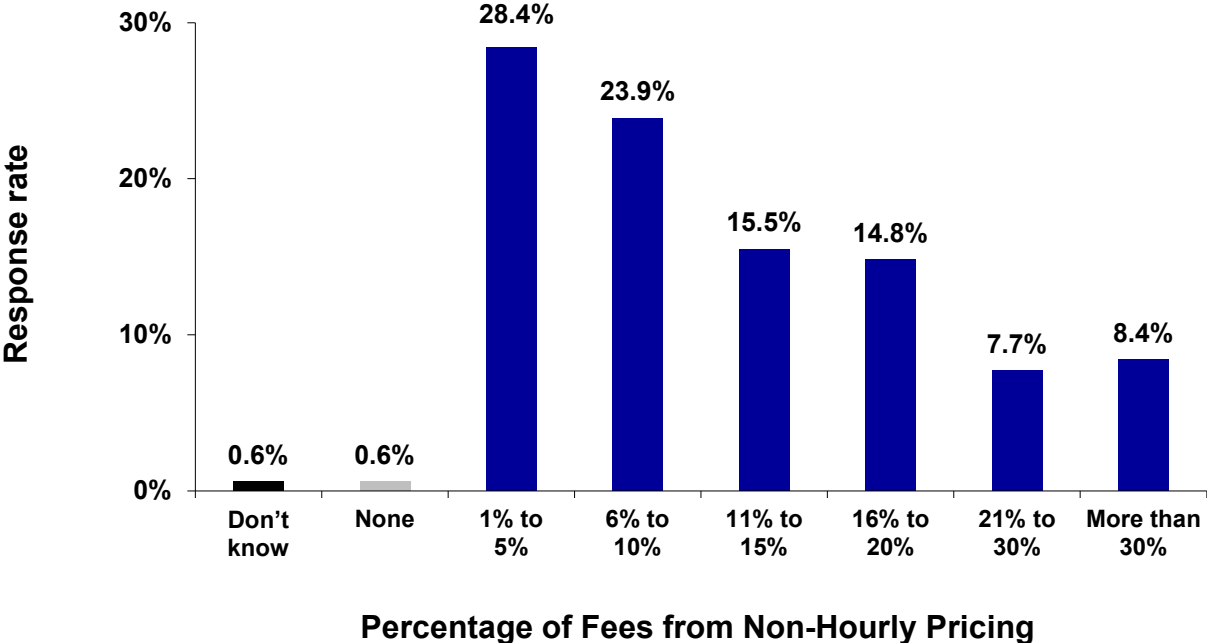
Median: 21% to 30%

Comparison of median results by firm size:

	MEDIAN
Under 250 lawyers	11% to 20%
250 lawyers or more	31% to 40%

Pricing: Alternative Fees

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



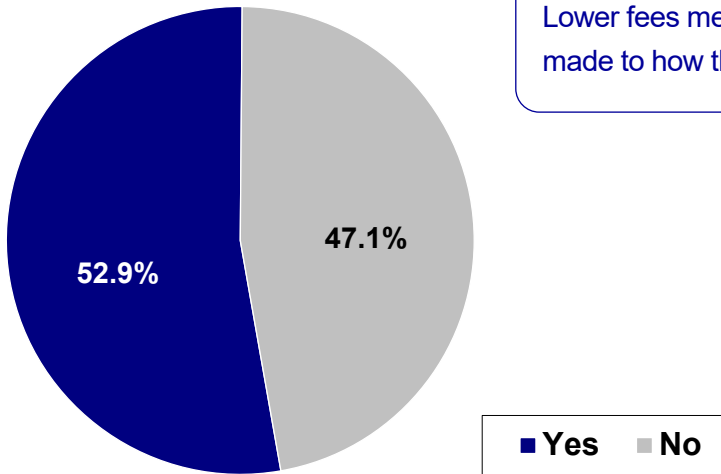
Median: 6% to 10%

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?



Lower fees mean lower margins if no changes are made to how the work is staffed and delivered.

Comparison by firm size:

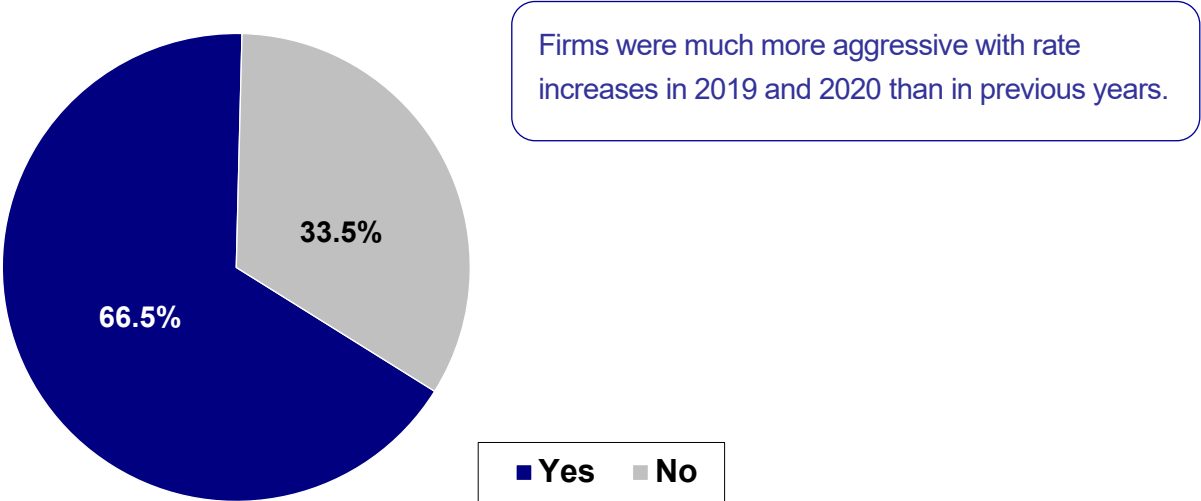
	Yes	No
Under 250 lawyers	48.3%	51.7%
250 lawyers or more	65.9%	34.1%

Comparison by year:

	2017	2018	2019	2020
YES	30.1%	41.6%	46.9%	52.9%

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
Under 250 lawyers	62.9%	37.1%
250 lawyers or more	76.7%	23.3%

Comparison by year:

	2017	2018	2019	2020
YES	43.7%	46.4%	60.6%	66.5%

Profitability Strategy: Maturity Model

NEW

Q: Using the scale provided, how would you characterize your firm's progress on your strategic business model as it pertains to profitability strategy?

- **None:** No real action in this area
- **Early:** Limited experimentation, ad hoc efforts, not standardized or centralized, benefits not well understood firmwide, not broadly adopted, still working on a plan
- **Intermediate:** Significant adoption and adaptation in the firm, with policies, procedures, roles, responsibilities defined if not fully enforced, outcomes mixed, potential benefits generally understood
- **Mature:** Embedded firmwide, substantial competency across the firm, structure and tools in place, performance metrics available, clear alignment with firm goals

Most firms are well along in their development.



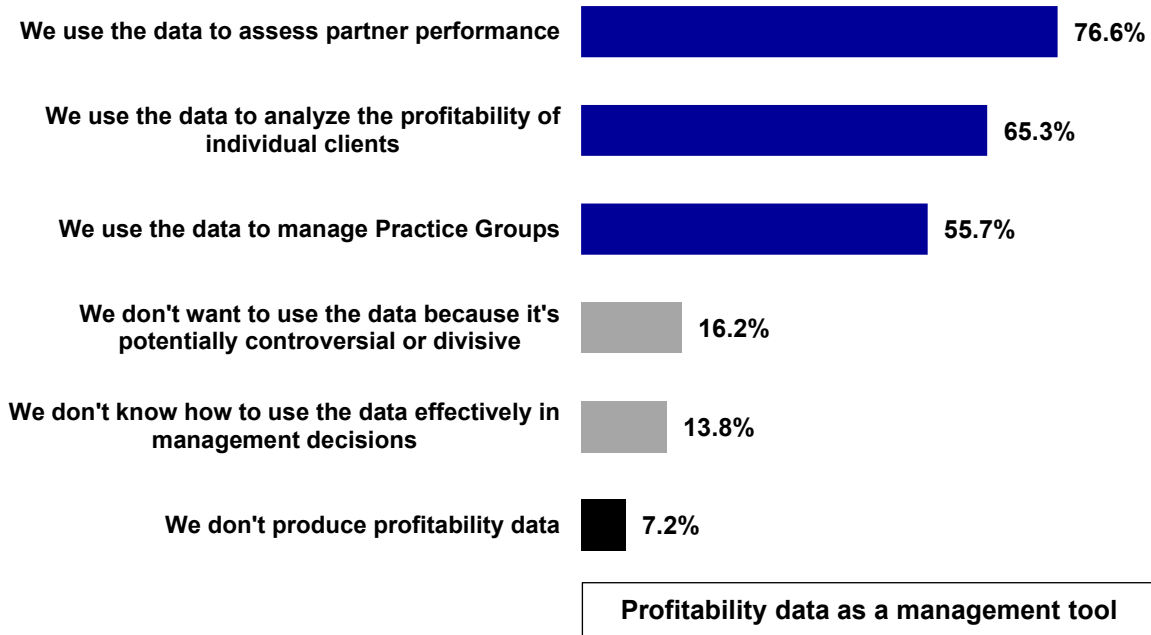
Stage of Development

Comparison by firm size:

	NONE	EARLY	INTERMEDIATE	MATURE
Under 250 lawyers	10.7%	40.2%	36.9%	12.3%
250 lawyers or more	2.3%	23.3%	48.8%	25.6%

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.

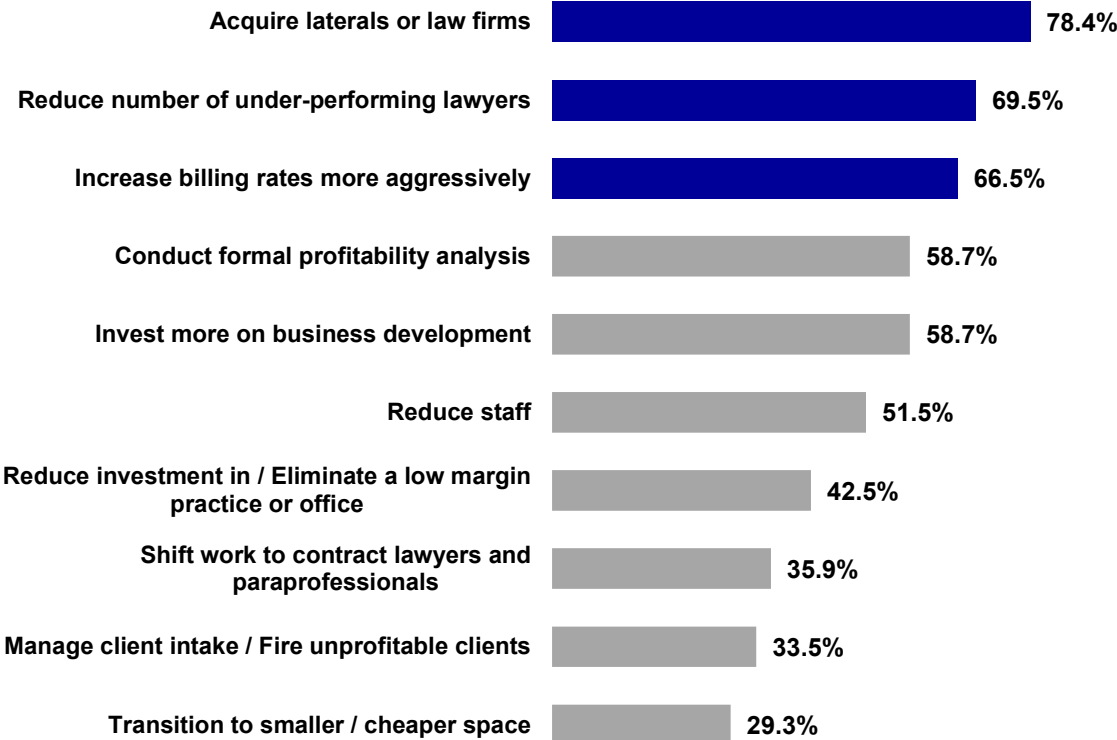


Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Use to assess partner performance	71.8%	90.7%
Use to analyze profitability of individual clients	56.5%	90.7%
Use to manage Practice Groups	49.2%	74.4%
Don't use because potentially controversial or divisive	20.2%	4.7%
Don't know how to use effectively in management	15.3%	9.3%
Don't produce profitability data	8.9%	2.3%

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

Efforts to Improve Profitability

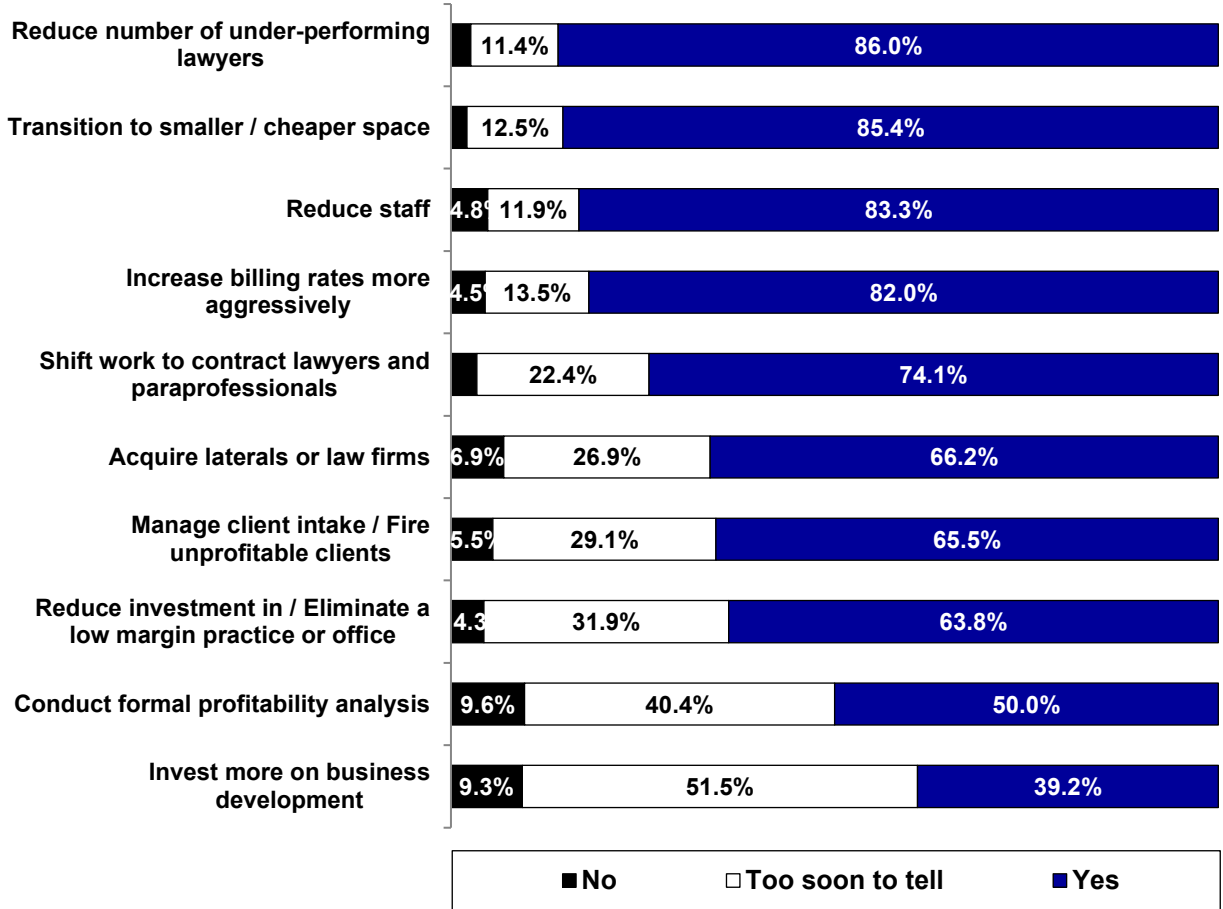
Q: In the last few years, has your firm done any of the following specifically to improve firm profitability? Select all that apply.

Comparison by firm size:

	Under 250 lawyers	250 lawyers or more
Acquire laterals or law firms	76.6%	83.7%
Reduce number of under-performing lawyers	64.5%	83.7%
Increase billing rates more aggressively	62.9%	76.7%
Conduct formal profitability analysis	52.4%	76.7%
Invest more on business development	56.5%	65.1%
Reduce staff	50.8%	53.5%
Reduce investment / Eliminate low margin practice / office	37.1%	58.1%
Shift work to contract lawyers and paraprofessionals	25.8%	65.1%
Manage client intake / Fire unprofitable clients	27.4%	51.2%
Transition to smaller / cheaper space	25.8%	39.5%

Profitability Tactics: What Works

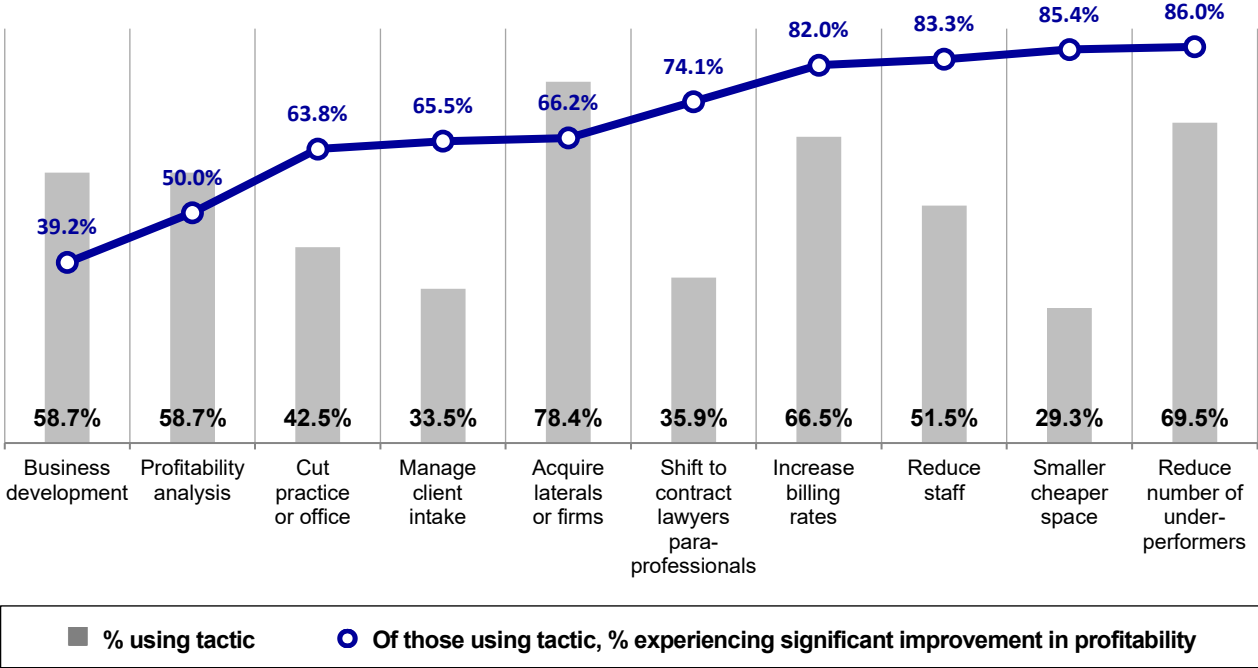
Q: For each of those things you've done to improve your firm's profitability, has the action resulted in a significant improvement in profitability?



Profitability Tactics: What Works

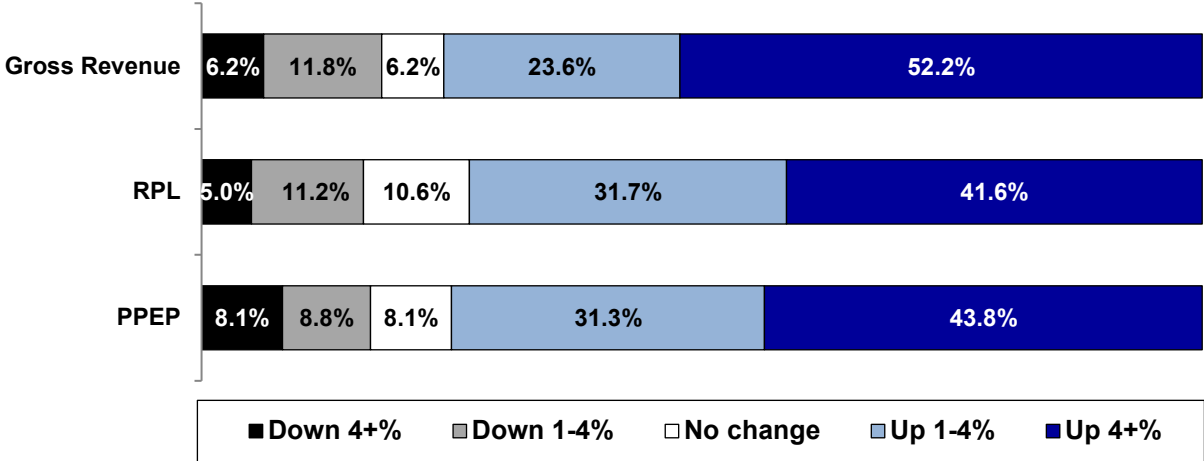
This chart combines findings from the two prior questions. Each bar shows the percentage of law firms using the tactic. Data points on the line show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

Comparison of Use and Results:



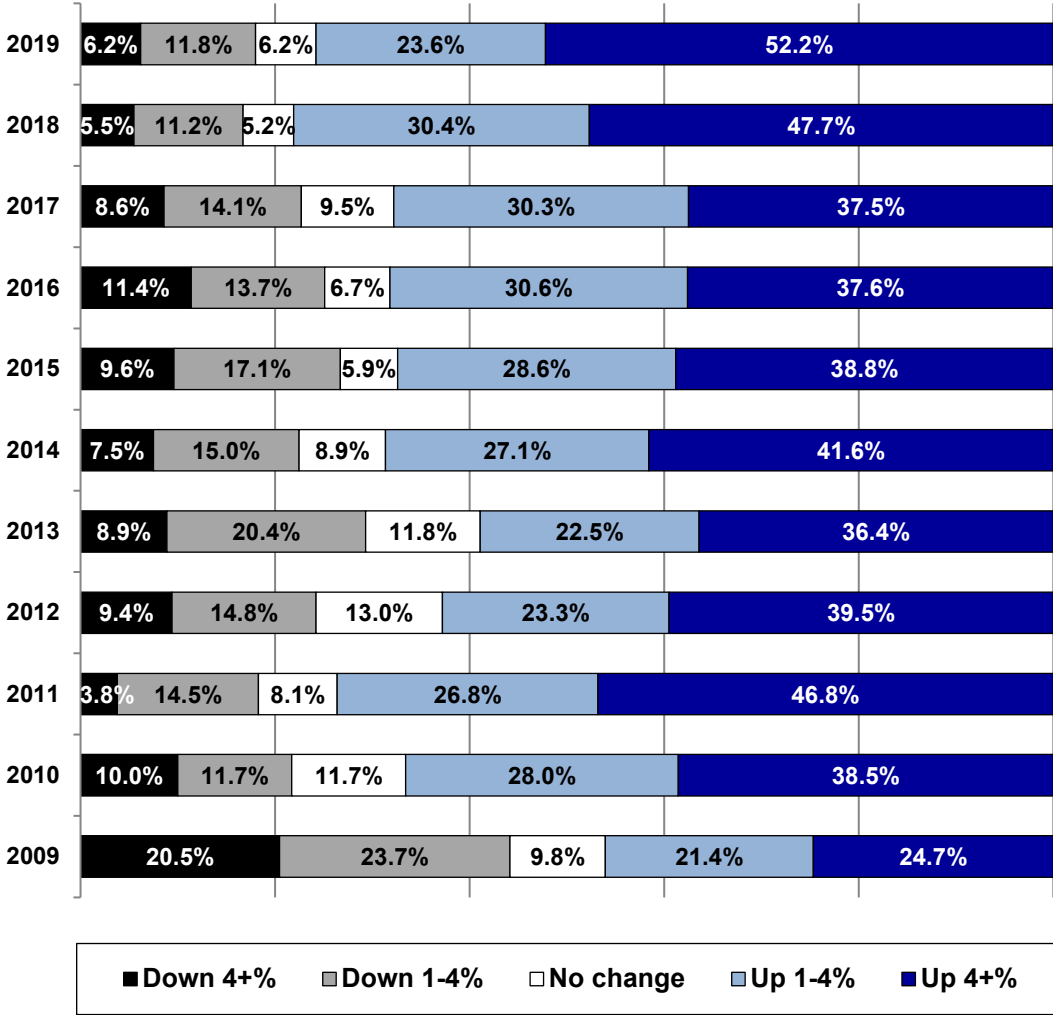
Financial Performance: 2019

Q: How did your law firm perform in 2019 compared to 2018?



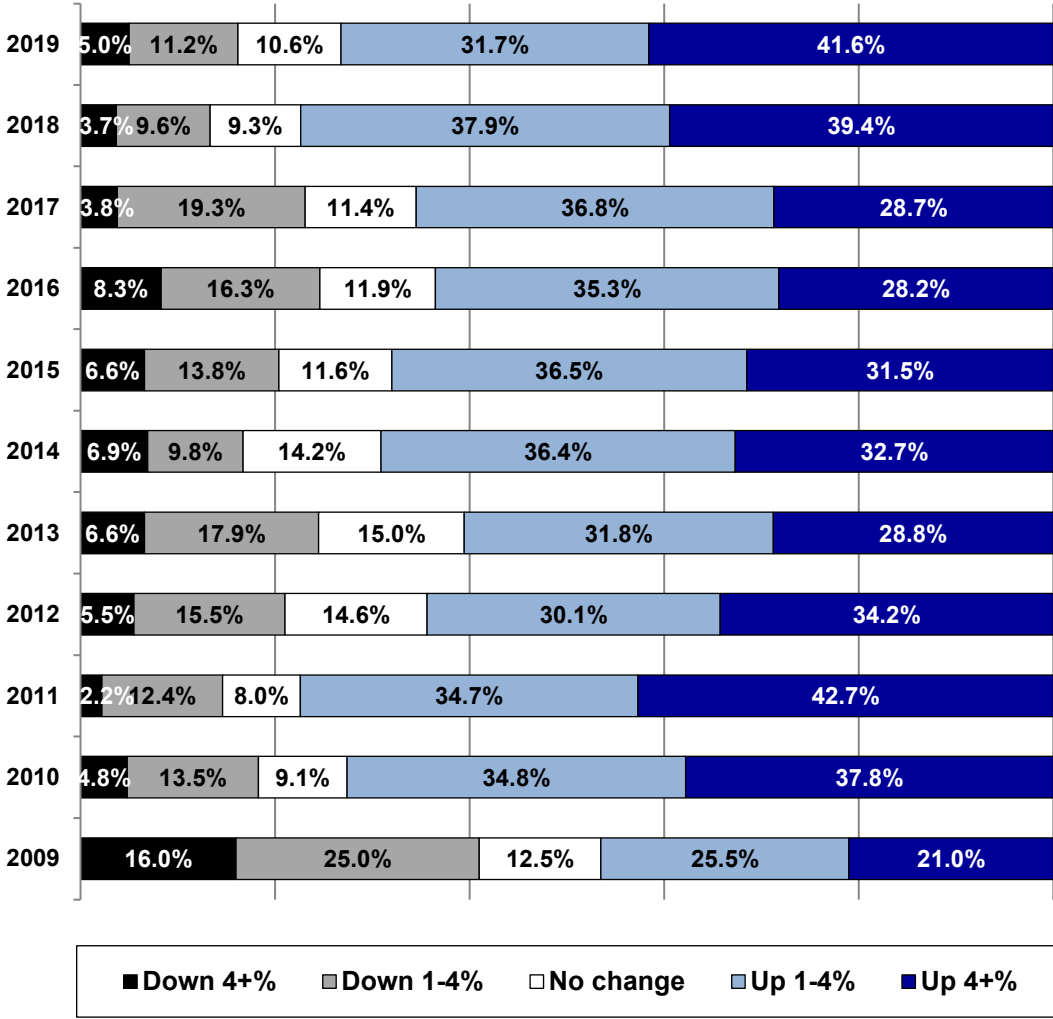
Gross Revenue: Trend 2009 - 2019

Comparison by year:



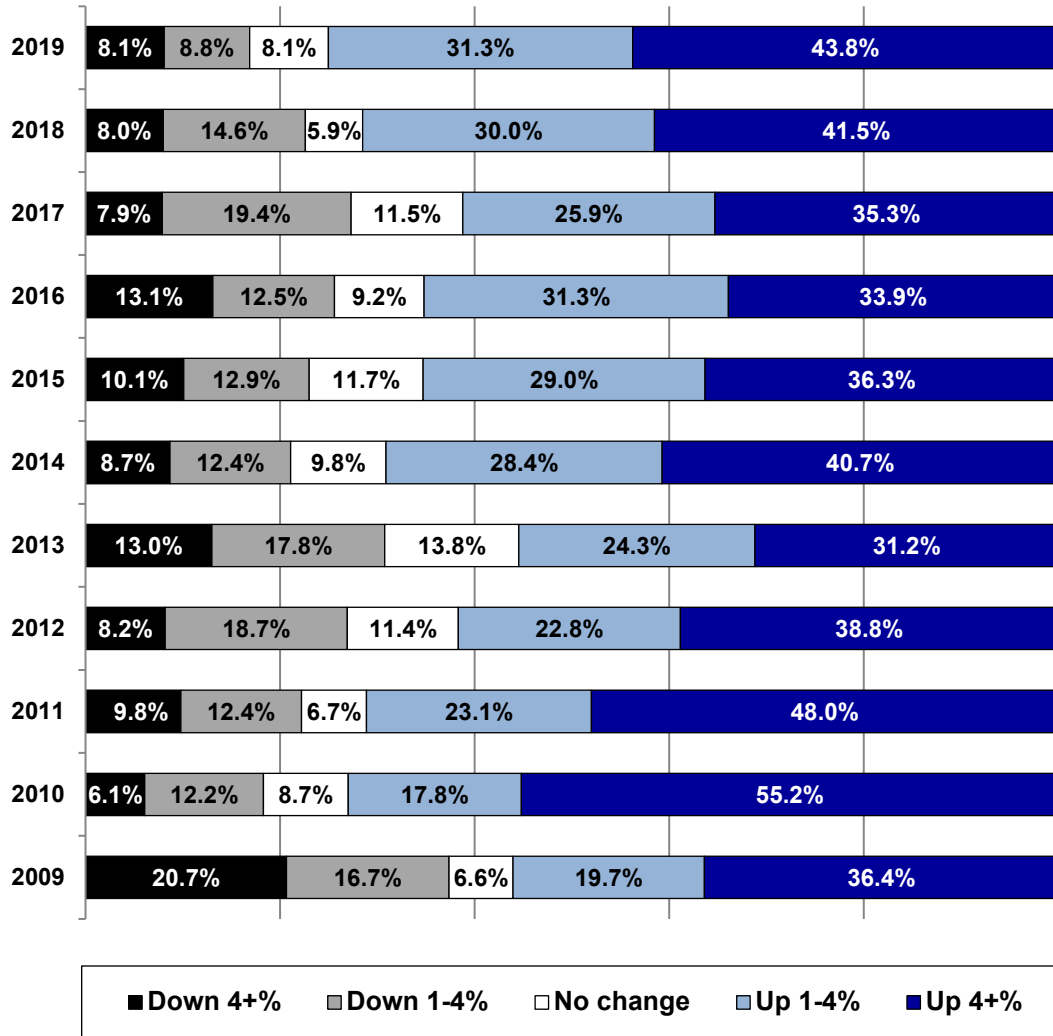
Revenue Per Lawyer: Trend 2009 - 2019

Comparison by year:



Profits Per Equity Partner: Trend 2009 - 2019

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
2019	18.0%	6.2%	75.8%
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%

RPL	Down	No change	Up
2019	16.2%	10.6%	73.3%
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%

PPEP	Down	No change	Up
2019	16.9%	8.1%	75.1%
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%

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	21.8%	5.9%	72.3%
250 lawyers or more	7.1%	7.1%	85.7%

Revenue per lawyer	Down	No change	Up
Under 250 lawyers	19.2%	12.5%	68.3%
250 lawyers or more	7.3%	4.9%	87.8%

Profits per partner	Down	No change	Up
Under 250 lawyers	20.2%	10.1%	69.7%
250 lawyers or more	7.3%	2.4%	90.2%

Financial Performance: 2019 Overhead Costs

Q: How did your law firm perform in 2019 compared to 2018?



2019 Overhead

Comparison by firm size of overhead costs in 2019.

Figures indicate the percentage of responses in each category (not the percentage change in performance).

Overhead	Down	No change	Up
Under 250 lawyers	22.9%	22.9%	54.2%
250 lawyers or more	14.6%	9.8%	75.6%

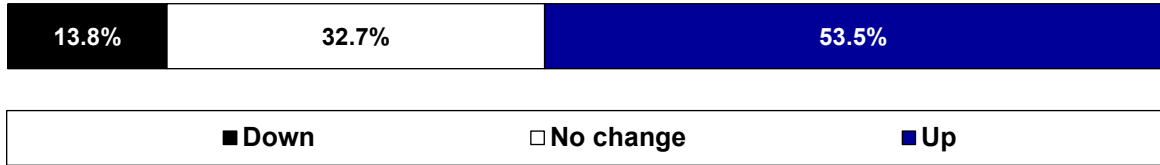
Comparison by year of five years of survey results on overhead costs.

Figures indicate the percentage of responses in each category (not the percentage change in performance).

Overhead	Down	No change	Up
2019	20.7%	19.5%	59.7%
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%

Financial Performance: 2019 Realization

Q: In 2019, was your firm’s realization against standard rates up or down from 2018?



Comparison by firm size for 2019.

Figures indicate the percentage of responses in each category (not the percentage change in performance).

Realization	Down	No change	Up
Under 250 lawyers	11.9%	33.9%	54.2%
250 lawyers or more	19.5%	29.3%	51.2%

Comparison by year of four years of survey results.

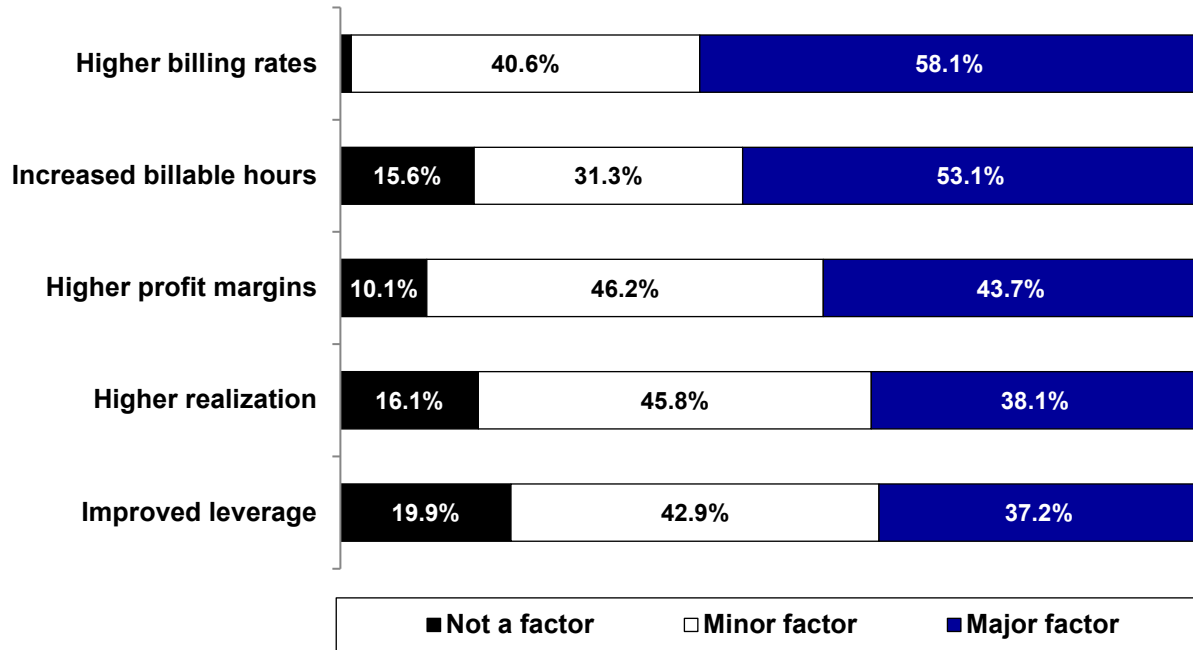
Figures indicate the percentage of responses in each category (not the percentage change in performance).

Realization	Down	No change	Up
2019	13.8%	32.7%	53.5%
2018	14.0%	43.3%	42.7%
2017	17.2%	45.3%	37.5%
2016	18.0%	43.3%	38.7%

Financial Performance: 2020 Accelerators

NEW

Q: What impact do you expect each of the following factors will have on improving your firm's performance in 2020?



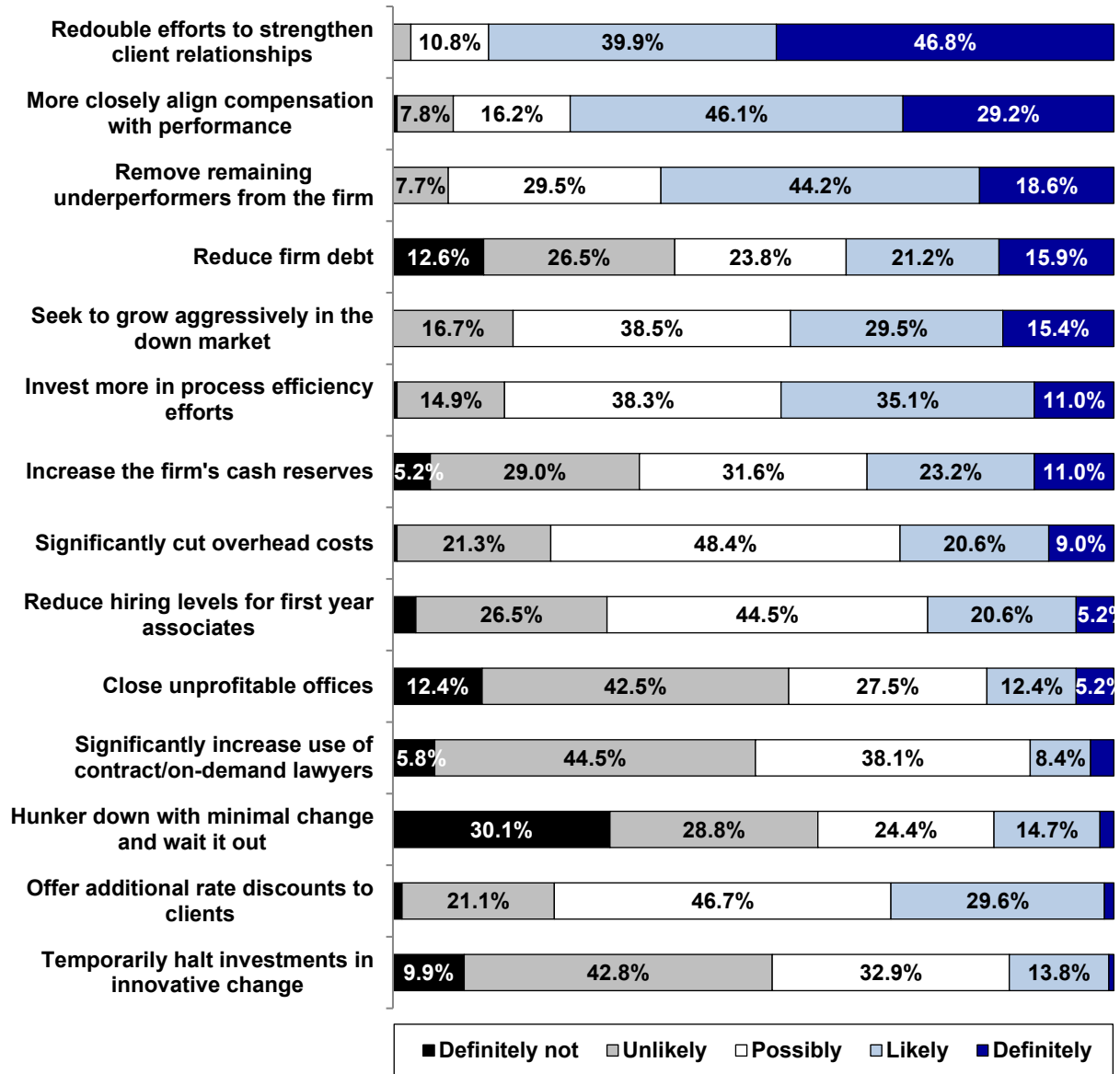
Comparison of 'major factor' responses by firm size:

	Improved leverage	Higher realization	Higher profit margins	Increased billable hours	Higher billing rates
Under 250 lawyers	30.2%	34.5%	38.5%	48.7%	50.8%
250 lawyers or more	57.5%	48.7%	58.5%	65.9%	78.6%

Bonus Question: Recession Tactics

NEW

Q: In thinking about a hypothetical moderate recession in the next 24 months, how likely is it that your law firm would do any of the following?



Recession Tactics: Before and After

NEW

Launched on March 2, 2020, this year's Law Firms in Transition Survey was underway as the scope and magnitude of the COVID-19 crisis took shape. As law firms across the country shut their offices and reassembled as remote workforces grappling with a truly unprecedented set of circumstances, this survey question about a "hypothetical moderate recession in the next 24 months" took on new significance. Following is a before and after snapshot of how the data changed as opinions about a theoretical recession gave way to its harsh reality.

Δ = Change in the percentage of firms that said they would "Definitely" or "Likely" pursue each tactic during a recession before the outlines of the pandemic emerged (3/2/20 – 3/22/20) vs. after its magnitude had become apparent (3/23/20 – 4/28/20).

"DEFINITELY" OR "LIKELY" TO PURSUE	BEFORE	AFTER	Δ
Redouble efforts to strengthen client relationships	86%	89%	+3
More closely align compensation with performance	73%	82%	+9
Remove remaining underperformers from the firm	60%	71%	+11
Increase the firm's cash reserves	23%	61%	+38
Invest more in process efficiency efforts	47%	44%	-3
Significantly cut overhead costs	25%	42%	+17
Seek to grow aggressively in the down market	46%	42%	-4
Reduce firm debt	36%	41%	+5
Offer additional rate discounts to clients	28%	40%	+12
Reduce hiring levels for first year associates	21%	39%	+18
Close unprofitable offices	17%	21%	+4
Temporarily halt investments in innovative change	14%	16%	+2
Hunker down with minimal change and wait it out	19%	11%	-8
Significantly increase use of contract/on-demand lawyers	12%	11%	-1

2020 Survey Participant Demographics

In March and April 2020, Altman Weil surveyed Managing Partners and Chairs of 794 US law firms with 50 or more lawyers. We received responses from 182 firms, a 23% response rate.

Firm Size*	All US Law Firms	Survey Participants	% Response
1,000 +	33	7	21%
500 – 999	65	17	26%
250 – 499	76	23	30%
100 – 249	221	73	33%
50 – 99	399	62	16%
All	794	182	23%

The respondent group includes**:

- 26% of 2020 AmLaw 200 law firms
- 26% of 2019 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 2020. Survey participants reported their own lawyer headcounts.

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

Appendix

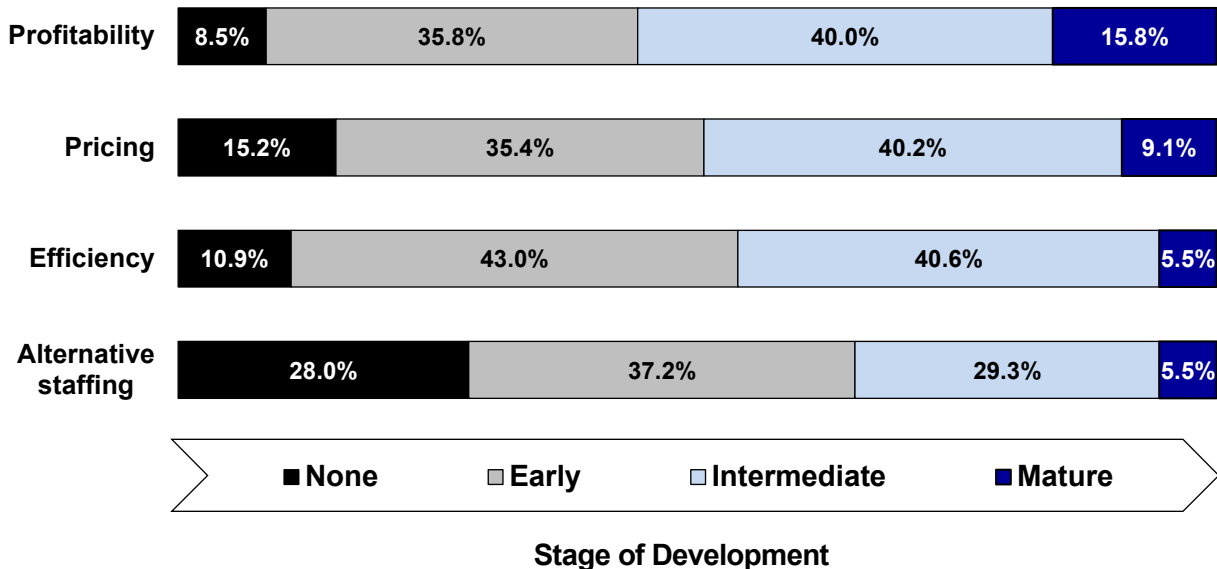
LAW FIRMS IN TRANSITION 2020

Business Model Strategy: Maturity Levels

NEW

Q: Using the scale provided, how would you characterize your firm's progress on each of the elements of your strategic business model?

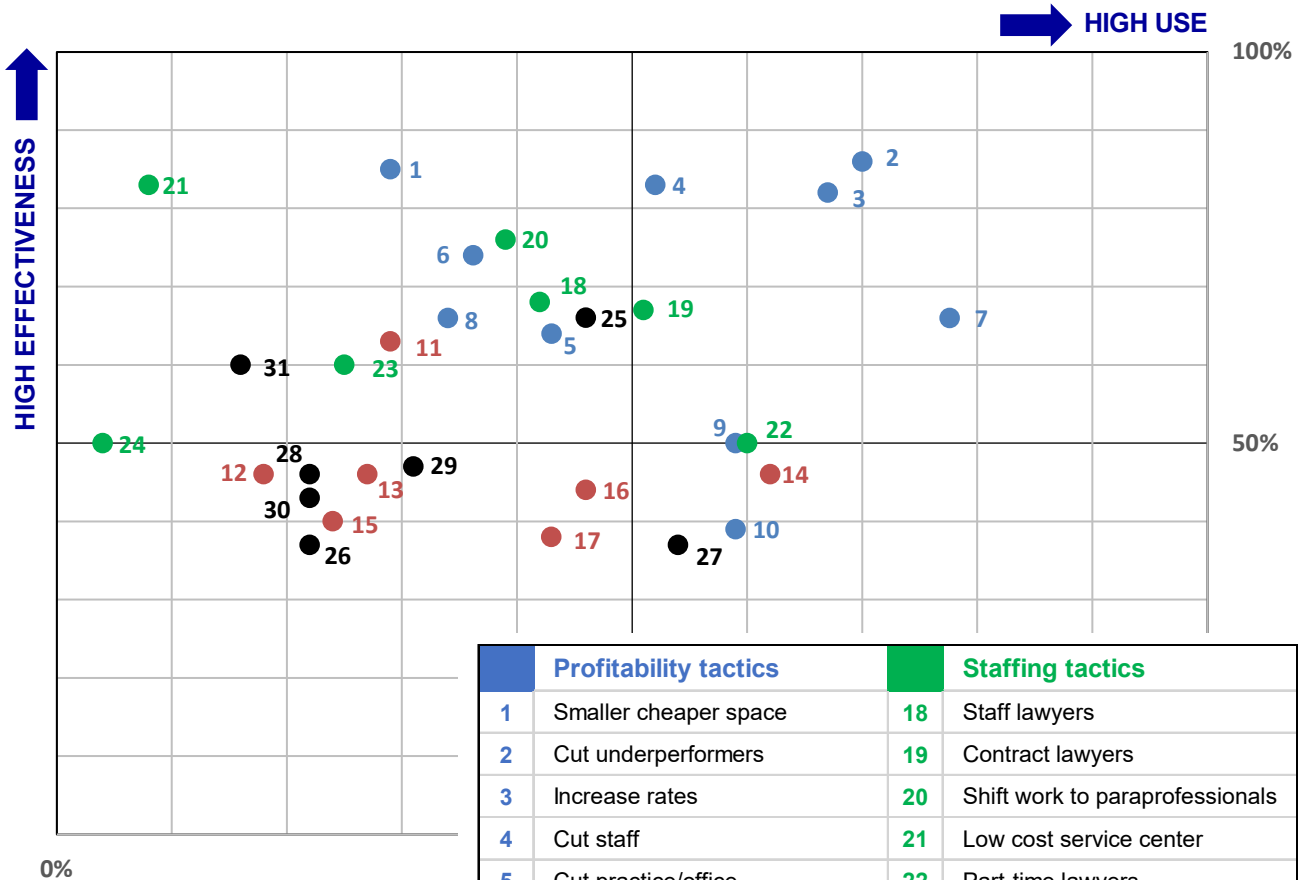
- **None:** No real action in this area
- **Early:** Limited experimentation, ad hoc efforts, not standardized or centralized, benefits not well understood firmwide, not broadly adopted, still working on a plan
- **Intermediate:** Significant adoption and adaptation in the firm, with policies, procedures, roles, responsibilities defined if not fully enforced, outcomes mixed, potential benefits generally understood
- **Mature:** Embedded firmwide, substantial competency across the firm, structure and tools in place, performance metrics available, clear alignment with firm goals



Business Model Tactics and Effectiveness

NEW

Each data point on the following chart represents a composite of two survey questions: *Is your firm pursuing the tactic?* ('Use' - plotted on the horizontal axis); and, *If so, has it resulted in a significant improvement in performance?* ('Effectiveness' - plotted on the vertical axis).



	Profitability tactics	Staffing tactics
1	Smaller cheaper space	18 Staff lawyers
2	Cut underperformers	19 Contract lawyers
3	Increase rates	20 Shift work to paraprofessionals
4	Cut staff	21 Low cost service center
5	Cut practice/office	22 Part-time lawyers
6	Work to paraprofessionals	23 Outsource non-lawyer functions
7	Add laterals	24 Outsource legal work
8	Manage client intake	
9	Profit analysis	Efficiency tactics
10	Business development	25 Compensate efficiency/profit
		26 Non-law-firm vendors
	Pricing tactics	27 Tech replacing humans
11	Pricing Director	28 Reengineer processes
12	Pricing in planning	29 Project management
13	ID client pricing preferences	30 Knowledge management
14	Collaborate on AFAs	31 Project Management Director
15	Margin goals in planning	
16	Develop cost data	
17	Train for client conversations	

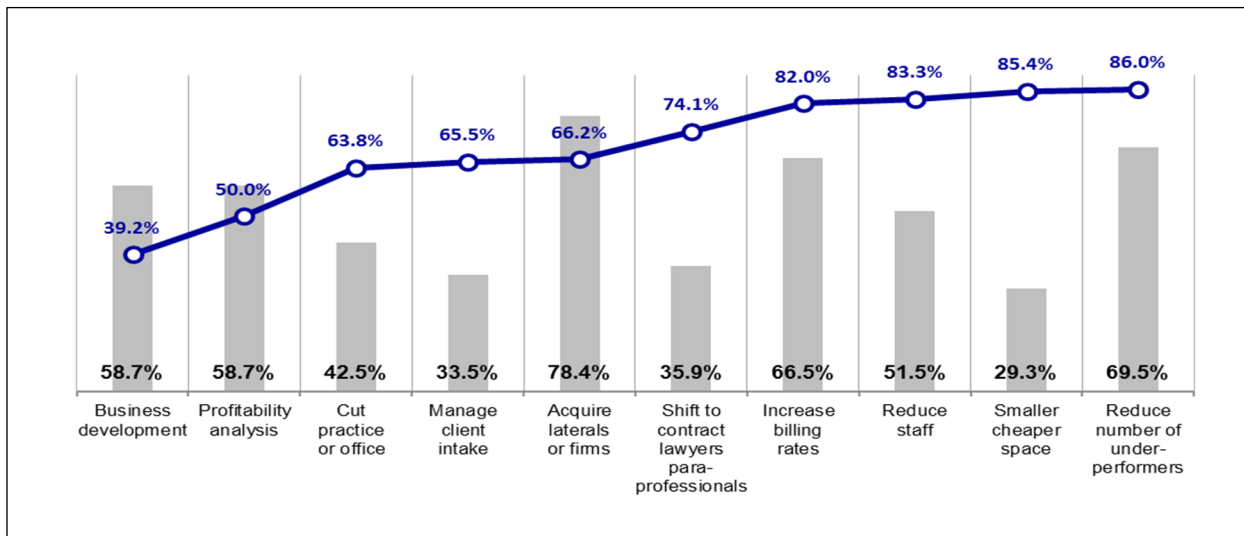
Business Model Tactics and Effectiveness

NEW

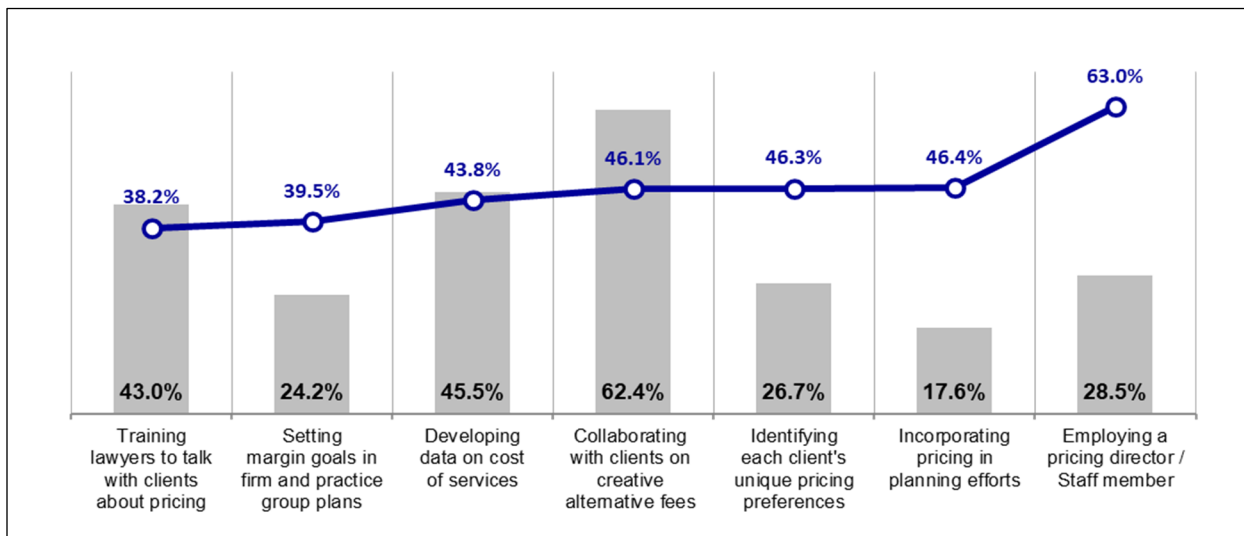
Each of these charts combines findings from two questions. The bars show the percentage of law firms using various tactics. Data points on the lines show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

- % using tactic
- Of those using tactic, % experiencing significant improvement in performance

Profitability



Pricing



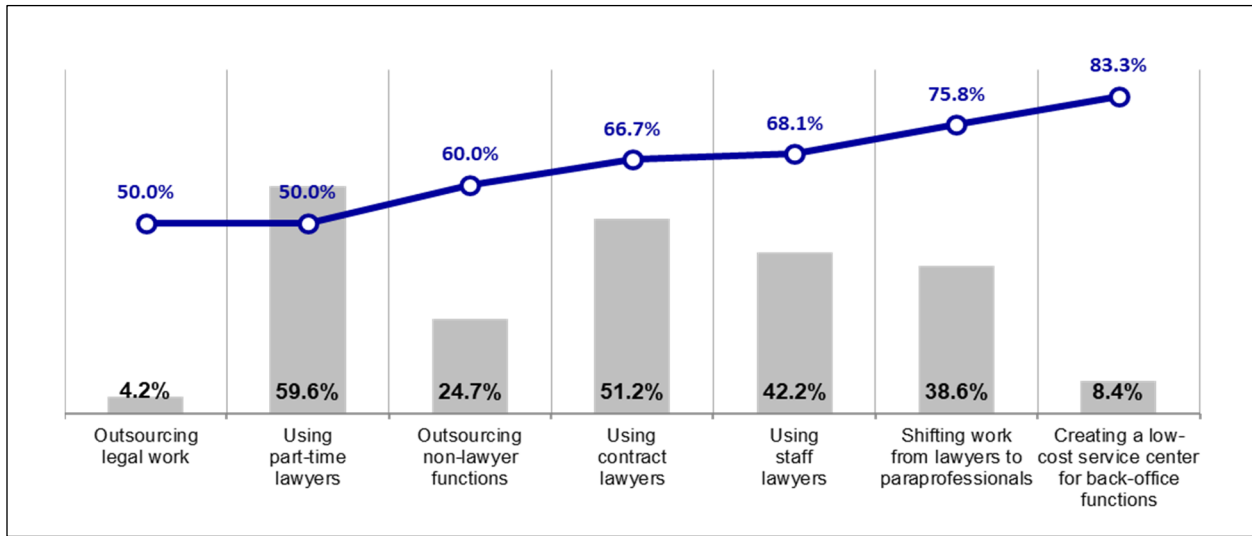
Business Model Tactics and Effectiveness

NEW

Each of these charts combines findings from two questions. The bars show the percentage of law firms using various tactics. Data points on the lines show the percentage of those firms using each tactic that report it has delivered a significant improvement in performance.

- % using tactic
- Of those using tactic, % experiencing significant improvement in performance

Staffing



Efficiency

