

Special Report: Laterals & Growth

2011

Law Firms in Transition

An Altman Weil Flash Survey



Law Firms in Transition 2011: Special Report on Laterals & Growth

Law firms are growing selectively in 2011, according to the *Law Firms in Transition 2011* survey. As in 2010, the top two growth options firms will pursue are the acquisition of laterals and the acquisition of groups. Ninety-two percent of all law firms, and large majorities in every firm size category, plan to acquire laterals in 2011. Sixty-seven percent will also work to acquire groups of lawyers.

When asked whether lateral partners hired over the last five years were still with their firms, law firm leaders reported a median retention rate of 90%. The retention rate varied inversely with law firm size, with smaller firms reporting greater retention. Firms with 1,000 or more lawyers had the lowest median retention rate (78%), while firms with 50-99 lawyers reported the highest median retention rate (98%).

Firm leaders also estimated what percentage of lateral partners were contributing at the level the firms had anticipated when the laterals were hired. About a quarter of law firms reported that more than 80% of their laterals are meeting expectations. Another forty percent say that 61%-80% of their laterals are contributing at a satisfactory level. The balance of firms had success with 60% or less of their lateral partner hires.

Clearly many law firms can improve their return on lateral hires. Considering the time and money firms invest in the process, a baseline benchmark for lateral success should be at least 80%. In the future, we expect firms to devote more attention to the specifics of lateral portfolios, including detailed profitability analyses, and to manage their recruitment, integration and cross-selling efforts more rigorously.

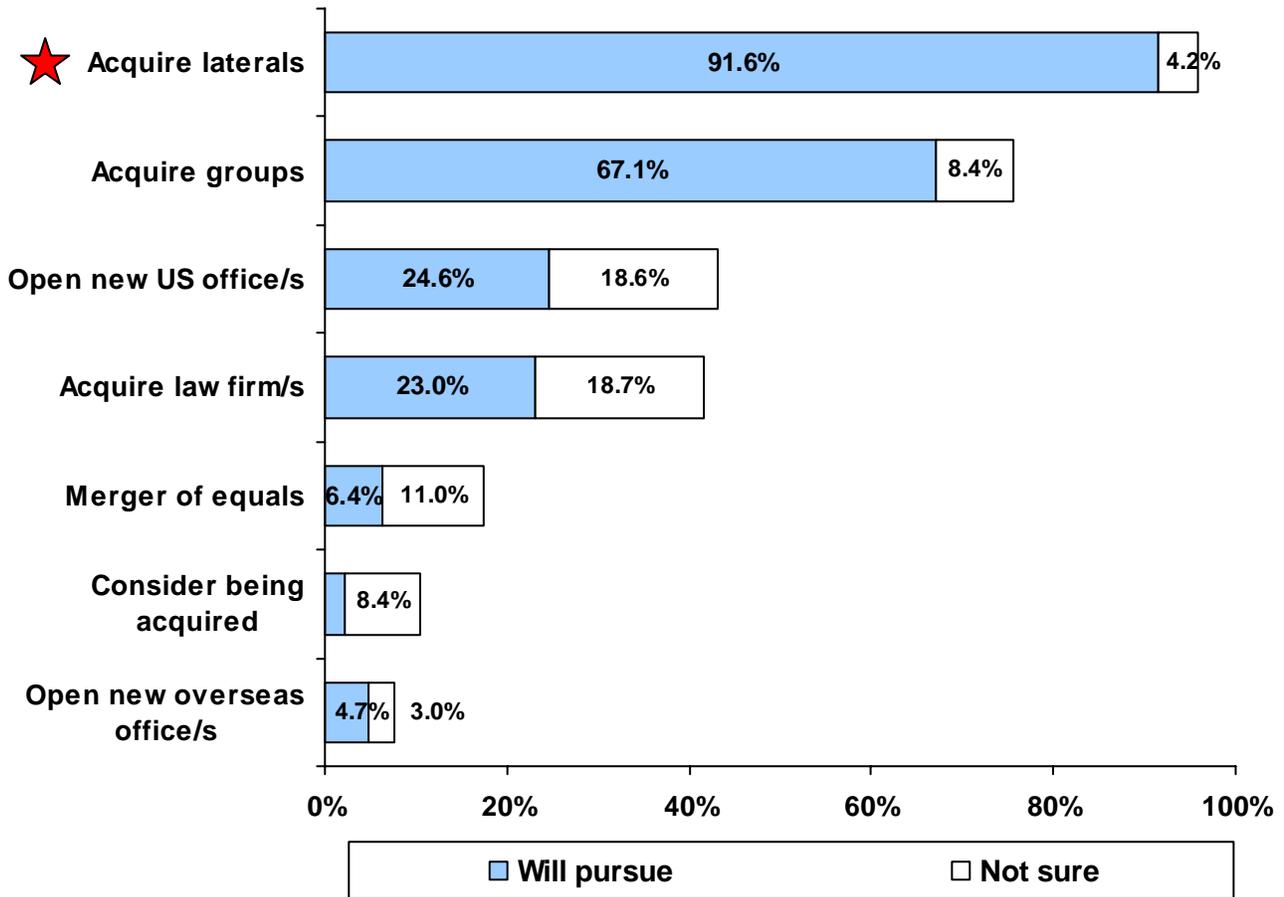
Survey methodology

Conducted in April and May 2011, the *Law Firms in Transition 2011* survey polled managing partners and chairs at 805 US law firms with 50 or more lawyers. Completed surveys were received from 240 firms including 38% of the 250 largest US law firms.

The following is a special report of findings from the survey that relate to lateral acquisitions and law firm growth. The full survey is available online to download at: www.altmanweil.com/LFit2011

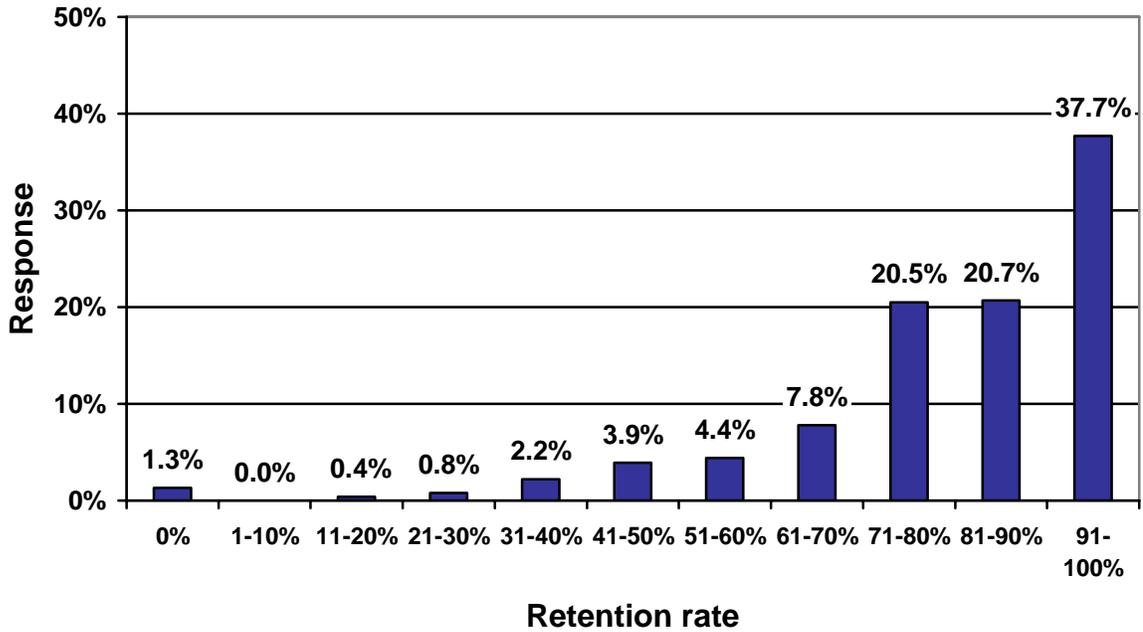
Law Firm Growth - 2011

What growth options, if any, will your law firm pursue in 2011?



Lateral Partner Retention

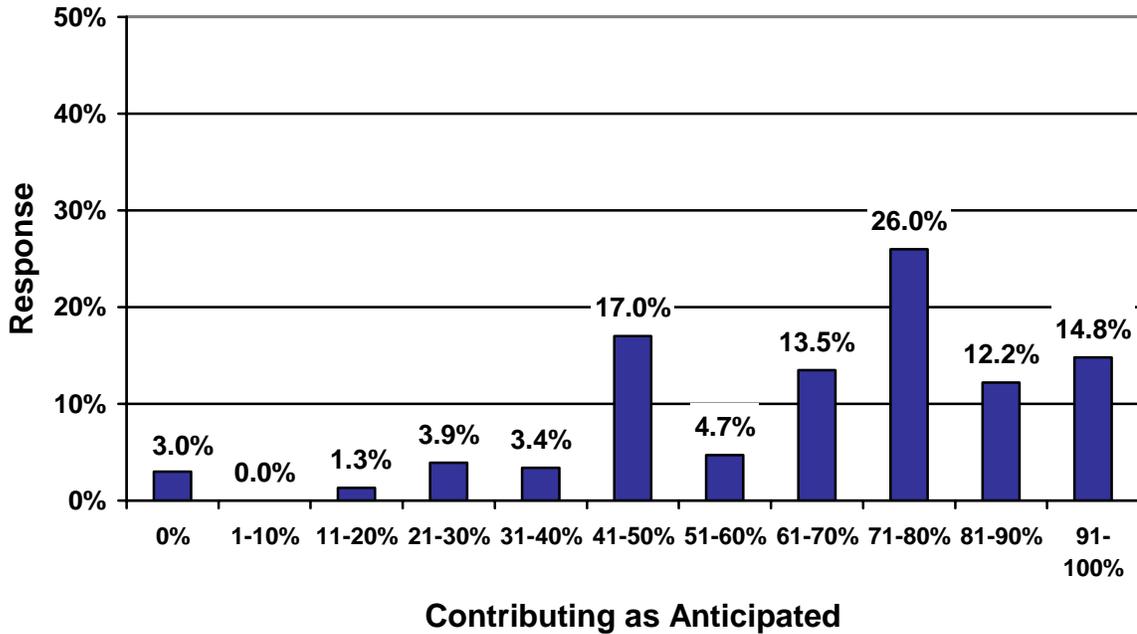
Of the lateral partners your firm has hired over the last five years, approximately what percentage would you estimate are still with the firm?



Median Retention Rate: 90%

Lateral Partner Contribution

Of the lateral partners your firm has hired over the last five years, approximately what percentage would you estimate are contributing at the level you anticipated?



Median: 75%

Growth and Retention Trends

A comparison of 2010 and 2011 survey results for top growth options law firms will pursue:

Top Growth Options	2010	2011
Acquire laterals	85.3%	91.6%
Acquire groups	54.8%	67.1%
Open new US offices/s	17.5%	24.6%
Acquire law firms	19.7%	23.0%

Top 2011 growth options by firm size:

2011 Growth Options by firm size	Under 250 lawyers	250 or more lawyers
Acquire laterals	88.1%	98.4%
Acquire groups	57.6%	89.1%
Open new US offices/s	19.1%	40.6%
Acquire law firms	15.4%	42.2%

Median retention rate of lateral partners over five years by firm size:

Lateral Retention rate by firm size	Median
1,000+	78%
500-999	80%
250-499	85%
100-249	90%
50-99	98%
ALL	90%

2011 Investments

In 2011, what areas will your firm invest in that you believe will yield the greatest expected returns?
(select no more than three)



2011 Survey Demographics

In April and May 2011, Altman Weil surveyed Managing Partners and Chairs of 805 US law firms with 50 or more lawyers. We received responses from 240 firms, a 30% response rate.

Firm Size	All US Law Firms	Survey Participants	% Response
1,000 +	22	6	27%
500 – 999	53	23	43%
250 – 499	88	35	40%
100 – 249	259	83	32%
50 – 99	383	76	20%
Unreported	--	17	
All	805	240	30%

The respondent group includes:

- 38% of 2011 NLJ 250 law firms
- 37% of 2010 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 2011. Survey participants reported their own headcounts.

* Four firms invited to participate in the 50-100 lawyer category reported their size as under 50 at the time of the survey. We have included their responses in the 50-99 lawyer category.

* Seventeen firms did not provide firm size information. Their responses are included in the full report only.

About the Authors

Thomas S. Clay is a principal of Altman Weil, Inc. With 30 years 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. In 2008, Mr Clay was named as one of the "100 Legal Consultants You Need to Know."

Eric A. Seeger is a principal of Altman Weil, Inc. He works with large and small law firms in the areas of strategy formulation, practice group planning, merger search, merger assessment and organizational audit. 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.

Prior to joining Altman Weil, Mr. Seeger was an independent consultant to law firm and corporate executives. He served as strategic planning officer of an AmLaw 200 law firm for four years. Previously, he performed market analysis for a global manufacturer, holding leadership positions in the industry's trade association, 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.