Media Contacts:
For ALM
Daryn Teague, Teague Communications
661.297.5292
dteague@teaguecommunications.com

For LexisNexis Legal & Professional
John Michaels
202.857.9121
john.michaels@lexisnexis.com

Law Firm Strategic Planning Still Driven by Managing Partners and Not Business Professionals, According to ALM Survey

Firms report meeting key metrics for success at firm wide level, but not at individual client and partner level

NEW YORK – October 16, 2012 – In spite of the concerted effort by large law firms to hire senior business executives and chief marketing officers to help them operate their firms more profitably, just one in five Am Law 200 firms involve non-lawyers in their strategic planning process.

The new survey by ALM Legal Intelligence, "Thinking Like Your Client: Strategic Planning in Law Firms," found that the strategic planning process is still driven by managing partners and other senior attorneys in the firm. Survey respondents noted that the result is often a knowledge gap without enough input from non-attorney sources beyond the leadership group, sources who might better understand clients' industry and business needs.

"Historically, law firms have devoted far less effort to strategic planning than corporations do, instead just paying lip service to the basic rituals of planning for the next year or two," said Kevin Iredell, vice president of research and continuing education products at ALM. "We're now seeing law firms begin to apply more rigor and discipline to the task of measuring and managing their business performance. This gradual change might be accelerated by allowing senior business executives – such as COOs, CMOs and Legal Administrators – to be more directly involved in the strategic planning process."

Other key findings of the survey included the following:

- There are mixed signals regarding financial performance at the firm wide versus individual client and individual partner levels. Seventy percent report that firm profitability goals are being hit and 59 percent say that firm revenue growth targets are being achieved. However, just 44 percent report that they're hitting profitability goals with individual clients and just 46 percent say they're achieving profitability targets at the individual partner level.
- Firms continue to use traditional metrics for gauging their performance, in spite of more predictive measures of productivity and client pricing agreements. When asked to list their top three measurements, respondents cited firm revenue (52 percent), firm profit (44 percent), profit per partner (37 percent), utilization (30 percent) and operating margins (24 percent).
- Although law firms believe that a focus on client service is crucial to their competitive advantage, just over half (56 percent) report that their firm has a plan in place to build, track and measure client loyalty and satisfaction. When asked if the firm leaders understood the business models of their top 20 clients, only one in five (22 percent) said they were extremely knowledgeable about the business.

"The realization that financial performance involves much more than hourly billable rates is causing law firms to fully explore cost structures, client loyalty, AFAs, compensation plans, staff leverage, and all the business drivers affecting profitability," said Rutger Van der Wall, vice president & managing director – CRM & Analytics for LexisNexis Legal & Professional. "Fortunately, there are technology-based solutions that can measure, track, analyze and manage all that complexity to deliver the right information to the right people at the right time so they can make smart decisions and take action. That's what it takes to achieve sustainable, long-term success."

The survey was conducted by ALM Legal Intelligence and sponsored by LexisNexis® Redwood Analytics®. Click here to download a free copy of the report, "Thinking Like Your Client: Strategic Planning in Law Firms."

About ALM Legal Intelligence

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