EXECUTIVE SUMMARY

2018 LAW FIRM LEADERS SURVEY:
MORE LAW FIRM MERGERS AHEAD IN TEXAS

82% report they were approached to combine with another firm in the past year. Texas remains a highly sought-after growth destination.

32% are open to considering a combination with another firm in the next three to five years. Of these, 80% indicated interest in a transformational combination with a larger or similarly-sized firm.

Most firms prioritize doubling down in Texas. The highest priority growth geographies for Texas firms were Houston (35%), Dallas (31%) and Austin (27%).

48% of participating firms are smaller than their most significant competitors. 89% of participating firms expect a more competitive market in 2018.

Survey respondents were exclusively managing partners and other senior leaders of Texas law firms ranging in size from 10 to 200 attorneys.

- The survey findings are based on the contributions of 60 respondents at the firms that fit the geographic and headcount filters.
- The objective of the survey was to learn about the outlook that respondents have for the future, including the nature and extent of their growth aspirations.
- The survey was conducted in the second half of 2017.
- The average headcount of participating firms is 35 attorneys.
- 43% of participating firm headcount is based in Houston and 38% is based in Dallas.
- 58% of the average respondent firm’s headcount is focused on Litigation, followed by Real Estate (16%), Corporate (15%), Intellectual Property (13%), and Energy (7%).
- 29% of respondent firms were ranked by Chambers for their chosen areas of focus.
- 45% of respondent firms were ranked by U.S. News for their chosen areas of focus.

WHAT FOLLOWS ARE HIGHLIGHTS FROM THIS YEAR’S REPORT.
For more information, contact Kent Zimmermann at 312-810-8008 or zimmermann@consultzg.com.
1. When thinking about your firm in 2018 vs. the overall law firm environment in Texas, are you?

- **Your Firm**: 84% Optimistic, 16% Concerned
- **Environment Generally for Law Firms in Texas**: 69% Optimistic, 31% Concerned

Legend:
- Red: Optimistic
- Yellow: Concerned
2. Do you expect that your firm’s Revenue Per Lawyer (“RPL”) will increase in 2018 versus 2017?

3. What is likely to drive growth in your firm’s Revenue Per Lawyer (“RPL”) in 2018 versus 2017?
4. Which of the following practices/industry sector teams would you like to grow or add in the next 3 to 5 years?

- Litigation: 56%
- Corporate: 40%
- Labor and Employment: 27%
- Energy: 24%
- Real Estate: 23%
- Other: 23%
- Healthcare: 18%
- M&A: 16%
- Other IP (Excluding Patent Litigation): 16%
- Private Equity: 11%
- Tax: 10%
- Patent Litigation: 8%
- Transactional: 0%
5. Which of the following geographies would you like to grow or add in the next 3 to 5 years?

- Houston: 35%
- Dallas: 31%
- Austin: 27%
- Other: 11%
- Chicago: 6%
- New York: 5%
- San Antonio: 5%
- Washington, D.C.: 5%
- Denver: 3%
- Miami: 3%
- Silicon Valley: 3%
- Atlanta: 2%
- Los Angeles: 2%
- New Orleans: 2%
- Seattle: 2%
- Boston: 2%
- Oklahoma: 2%
- Philadelphia: 2%
- San Francisco: 2%
6. In the coming year, do you feel the level of competition from non Texas-based law firms in Texas will:

- Somewhat Grow: 65%
- Significantly Grow: 24%
- Somewhat Decrease: 11%

7. In the past year, has your firm been approached to combine with another firm?

- Yes: 18%
- No: 82%
8. Would you consider a combination with another firm within the next 3-5 years?

- Interested: 32%
- Not Interested: 66%

9. Of the firms interested in combining, are you interested in a transformational combination with a similarly-sized or larger firm?

- Yes: 80%
- No: 20%
10. What would your top three objectives be in combining with another firm?

- Increasing profitability: 45%
- Putting the firm on a long-term trajectory of stability: 42%
- Enhancing competitive position relative to larger competing firms: 29%
- Bolstering the firm’s breadth and depth in chosen areas of strength: 29%
- Increasing the strength of the firm’s brand among clients and talent: 27%
- Expanding geographic footprint: 24%
- Expanding service offerings to clients: 21%
- Diversifying practice areas outside of your core practice focus: 19%
- Increasing the resources the firm would have to attract and retain sought-after talent: 18%
- Transitioning leadership: 16%
- Increasing headcount and top-line growth: 8%
- Other: 2%
11. What are the three biggest challenges facing your firm in the next 3 to 5 years?

- Transitioning leadership to the next generation: 60%
- Transitioning client relationships to the next generation: 52%
- Increasing competition for clients from non-Texas firms: 35%
- Softening demand from clients: 32%
- Increasing downward rate pressure: 31%
- Increasing competition for top talent from non-Texas firms: 24%
- Other: 13%

12. How would you describe the headcount of your firm relative to your three most significant competitors?

- Smaller: 48%
- ~Same: 44%
- Larger: 8%
13. What are your three highest priorities for your firm in the next 3-5 years?

- Building a firm that will be more stable for the future: 50%
- Growing breadth and depth to become more preeminent in the minds of clients and talent: 42%
- Expanding your most valuable client relationships: 42%
- Upgrading the firm’s client base: 40%
- Growing market-share by growing headcount and gross revenue: 31%
- Diversifying into other practice areas: 27%
- Hiring sought-after laterals and groups: 23%
- Finding ways to compete more effectively against lower cost competitors: 13%
- Expanding to new geographies: 6%
- Building consensus about how to best compete against your strongest competitors: 6%
- Other: 5%
The 2018 Law Firm Leaders Survey (Texas) was sponsored by leading law firm consultancy, Zeughauser Group.

For more information about this survey contact Kent Zimmermann at zimmermann@consultzg.com or (312) 810-8008.

To learn more about Zeughauser Group, visit www.consultzg.com.