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Perspective: The Growth Aspirations of Chicago Law Firm Leaders

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Editor's Note: *The author of this post is a consultant to law firms.*

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We recently set out to learn more about the growth aspirations of leaders of Chicago law firms with 300 or less attorneys. In addition to being informed by ongoing conversations with law firm leaders and anecdotal evidence we come across in our work, we also developed a **confidential survey**. (<https://bol.bna.com/wp-content/uploads/2016/03/2016-zeughauser-report.pdf>) Our principal method of administering the survey was to conduct one-on-one interviews.

Survey participants included law firm leaders from 37 Chicago firms ranging in size from 10 to 300 attorneys. We filtered out firms primarily focused on personal injury and other plaintiff's work. We conducted the survey in late 2015 and early 2016.

Significantly, we found that 41% of participating law firm leaders are interested in considering a combination with another law firm within the next three to five years. The survey data also indicated that:

- Nearly half of the 41% that would consider a combination are open to a combination with a larger or similarly-sized firm;
- A quarter of the 41% believe their firm will actually consummate a combination within five years;
- More than two thirds of participants want to grow their firms, some substantially — when we asked about geographic growth priorities, we learned that 68% want to double down on their home base of Chicago by growing more there, 24% aspire to grow in or enter the Southern California market, and 11% aspire to grow in or enter the New York City market;
- Despite challenges and widespread reports about uneven demand in the current market, particularly for litigation, participants generally have a positive outlook for their firm’s near-term future — 84% say they are generally optimistic about their firm’s prospects this year;
- Most participants also say that they plan to raise rates this year, although modestly for the most part — 68% plan to raise their rates between 1 and 3% this year and 22% plan to raise their rates between 4 and 6% this year; and
- Many expect competition for talent in Chicago to continue to get more competitive — 73% expect a more competitive market this year for partner talent, 62% expect a more competitive market this year for associate talent.

Looking at these data points in relation to each other:

- Although most firms indicate that they aspire to grow, most also believe competition for lateral talent is increasing — together, those perspectives may increase the willingness of some firms to consider combining with another firm as a way to accelerate achievement of their growth aspirations, a finding we believe corroborates a long-term trend among firms of all sizes across major markets in the U.S. and internationally;
- At the same time, while 84% of the participants generally have an optimistic outlook, 16% do not — this may suggest that some of the leaders that are interested in considering a combination view a combination as an imperative for their firm’s success; and
- While more than two-thirds of firms plan to raise their rates between 1 and 3% this year, this range suggests a level of continuing downward rate pressure among these firms, not unlike in other segments of the market.

We started with Chicago because it is a higher rate market and high on the list of where many firms have recently sought growth, evidenced by the sizable number of recent law firm combinations there. As a next step, we will focus on other high rate markets where firms want to grow. Stay tuned for more results.

