

# Managing Partner Survey Shows Recession Rebound

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During October and November Texas Lawyer invited firm chairs, presidents, managing partners of Texas firms and the partners-in-charge of Texas offices of out-of-state firms to share their thoughts on management strategies during 2013 and expectations for the Texas legal market in 2014. Fifty firm leaders responded to the confidential survey.

## Adding Lawyers

Seventy percent of the firm leaders said their lawyer counts in Texas will increase by less than 10 percent during 2014, while 12 percent said their lawyer counts will grow by more than 10 percent. That perception is just slightly better than it was in the fall of 2008, when just eight percent of 63 firm leaders said lawyer counts would grow by more than 10 percent and 73 percent said the lawyer counts would grow by less than 10 percent.

At Dallas-based Winstead, the number of lawyers increased by 10 percent in 2013 as well as 2012, said Kevin Sullivan, chairman and CEO of the 330-lawyer firm. Sullivan said that expansion level is likely to continue during 2014.



**Kevin Sullivan**

"We're definitely in a growth mode because we think we're very comfortable being this size, being kind of a middle territory between national firms and one-city firms," Sullivan said.

## Maintaining Profitability

According to survey results, the two actions firms took most often in 2013 to maintain profitability were increasing billing rates and reducing support staff.

Fifty-one percent of the firm leaders reported raising billing rates while 36 percent reduced support staff. By contrast, to maintain profitability in 2008, 76 percent of firm leaders reported increasing billing rates while only 16 percent reduced support staff.

Winstead is a firm that has essentially employed both techniques, Sullivan said. The firm did not rank rate increases for a few years after 2008 and most of the firm's 2013 rate increase was for associates who moved from one class, or level of experience, to the next level, he said.

"We're trying to keep a regionally priced cost structure," Sullivan said.

But the firm has not increased support staff in tandem with lawyer counts.

"We've had no reduction of support staff, but we increased attorneys," he said.

Brownsville-based Atlas, Hall & Rodriguez did not increase billing rates during 2013 but the 31-lawyer firm did reduce support staff, said managing partner Gary Gurwitz.



**Gary Gurwitz**

"We have reduced expenditures," he said.

Gurwitz said the firm has not yet decided about 2014 billing rates but—like most of the survey's participants—he is optimistic about the Texas legal market

in 2014. Eighty-six percent of the firm leaders in the survey said they were either optimistic or somewhat optimistic about next year's opportunities for growth in the Texas legal market.

"The economy is going to improve and the transaction side of our practice is going to improve," Gurwitz said.

## The Energy Boom

During 2013, several out-of-state firms opened or expanded Texas locations to take advantage of the energy sector boom and a legal market that has been healthier than markets in the rest of the nation.

Holland & Knight opened a Dallas office in July with 24 lawyers from the Dallas office of Patton Boggs. [See "Embracing Change; Looking Back at Lateral Moves in the Lone State in 2013," *Texas Lawyer*, Dec. 16, 2013, p. 1]. James



**James Chadwick**

Chadwick, executive partner of the Dallas office, which now has 30 lawyers, said one of his biggest challenges and opportunities in the coming year will be identifying and recruiting lateral groups of lawyers.

"Most successful lawyers are very pleased with where they are," he said. "From time to time there are situations where successful lawyers, and the places where they are, get out of sync. But many excellent lawyers are very happy where they are." Chadwick said the firm is likely to be attractive to groups that have relationships with the firm's existing clients.

"We have a strong desire to be in Houston as well as Dallas," he said. "We think having a local presence is important to many clients."

The biggest opportunity in 2014 for the Houston office of Akin Gump Strauss Hauer & Feld, "is the incredible expected continued activity in the energy space," said Christine B. LaFollette, partner-in-charge of the firm's 50-lawyer Houston office. "The whole energy value chain is going through such dynamic growth," she said.



**Christine B. LaFollette**

"We're already seeing the pipeline for 2014 filling up, the first quarter will be amazing. I'm not sure there will be much of a break other than turning the page from 2013 to 2014. That's a great thing."

## Innovative Billing Strategies

More than half, 58 percent, of the firm leaders in the survey reported that their clients still prefer hourly billing. That's fewer than the 63 percent of firm leaders who reported a client preference for hourly billing in the 2008 survey. LaFollette said that Akin Gump uses an array of alternative billing options.

"I think that the flat billable hour has evolved," she said. The firm has a staff economist to help create innovative billing strategies, she said. The demands on the economist have increased during the past

## MANAGING PARTNERS SURVEY: 2013 vs. 2008

During the coming year, lawyer head count in your firm's Texas offices will: (Each firm leader selected one)	2013 survey	2008 survey*
Will grow significantly (more than 10 percent)	12%	8%
Will grow slightly (less than 10 percent)	70%	73%
Will stay the same	18%	17%
Will shrink slightly (less than 10 percent)	0%	2%

  

Actions taken during the current calendar year to retain profitability levels (Firm leaders selected all that apply)	2013 survey	2008 survey
Raise billing rates	51%	76%
Reduce support staff	36%	16%
Switch practice focus to higher-demand areas	20%	33%
Reduce number of non-equity partners	18%	5%
Reduce number of equity partners	16%	20%
Reduce entry-level hiring	16%	20%
Reduce number of associates	11%	7%
Reduce partner compensation	9%	7%
Reduce lateral hiring	0%	15%
Rescind offers to incoming first-year associates	0%	0%
Reduce associate compensation	0%	2%
Request additional capital or holdbacks from partners	4%	**

  

Concerning alternative billing, the clients of your firm's Texas offices:	2013 survey	2008 survey
Still prefer hourly billing	58%	63%
Are eager to hear creative strategies	31%	33%
Suggest creative strategies	10%	9%

  

Compared to 10 years ago, I believe the practice of law is:	2013 survey	2008 survey
More enjoyable	17%	20%
Same	38%	44%
Less enjoyable	46%	36%

\*In 2008, firm leaders indicated lawyer count expectations for the 12 months ending Sept. 2009  
\*\*Not offered as a selection in the 2008 survey.  
Source: Leaders of Texas-based firms and the Texas offices of out-of-state firms were invited to participate in Texas Lawyer's Managing Partners Survey in 2013 and 2008. In 2013, 50 firm leaders responded; 63 responded in 2008.

## Methodology

Participants in Texas Lawyer's 2013 Managing Partners Survey were managing partners/shareholders, presidents and chairpersons of Texas-based firms and executive partners and partners/shareholders-in-charge of the Texas offices of out-of-state firms. Fifty firm leaders participated in the confidential, online survey conducted during October and November. Nineteen or 39 percent of the survey respondents are from firms with more than 126 attorneys, 19 firms or 39 percent have 26 to 126 attorneys and 11 firms or 22 percent have 25 or fewer attorneys. One participant declined to indicate the size of their law firm.

The largest Texas offices of the 2013 survey respondents are in Dallas (22 firms or 45 percent); Houston (16 firms or 33 percent); Austin (4 firms or 8 percent); Fort Worth (2 firms or 4 percent); and San Antonio (2 firms or 4 percent). Three or 6 percent of respondents' firms are located in other Texas cities. One participant declined to indicate the location of their firm's largest Texas office.

—JEANNE GRAHAM

few years since he has joined the firm, she said. "He definitely is a resource that we all tap into," LaFollette said. "It keeps going back to how the world is evolving and we have to be responsive and innovative with legal services."

## Loving the Job

In the 2013 survey, less than a quarter, 17 percent, of the firm leaders reported that the practice of law is more enjoyable for them than it was ten years ago. In the 2008 survey, 20 percent of the firm leaders said practicing law was more enjoyable.

Allen Smith, president of Dallas'

40-lawyer SettlePou said that practicing law in Texas seems similar to a decade ago.

"Ten years ago was a great time for law practices," Smith said. "We got past 9/11 and businesses were starting to get going again. I have the same feeling now. We've just gotten past the recession and business is starting to get going again. When comparing 2003 to what is coming up, I think there's a very similar feeling to it all."



**Allen Smith**

MARK GRAHAM