

**Ever since** Lehman Brothers had to close their doors in September 2008, the US business world has changed. There is no “Business as usual” any longer. Consumers’ and companies’ attitudes have changed; tried and tested processes are being reexamined, approaches critically questioned. Is this also true for law firms? How has the economy affected the firms and how do firms respond to this new economic order?

Our qualitative research was laid out to explore the firms’ (re)actions to this new environment. We wanted to find out how this affected the firms’ general business models and how they dealt with cost pressures, in particular with regards to staffing and outsourcing. Also, what are their plans for their future generations of lawyers?

We conducted in-depth interviews with decision-makers in AmLaw 100 and 200 firms around the country, among them Chief Operating Officers, Executive Directors, Chief Human Resources Officers, Chief Marketing Officers, Chief Talent Officers, Directors of Business Development as well as Directors of Recruitment and Professional Development. The semi-structured interviews lasted between 30 minutes and 1 hour 30 minutes and were held in February and March 2010.

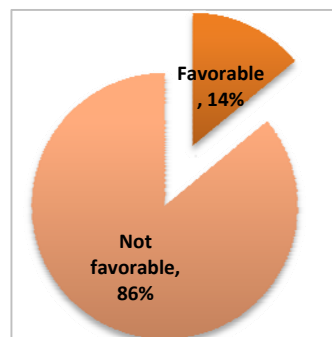
## KEY FINDINGS

No surprise: The economy has significantly affected the legal sector, even the top law firms (see Table 1). Utilization rates went down, realization rates went down, and revenues went down. While demand was significantly reduced in general, practice areas were affected to different degrees.

M&A suffered considerably, capital markets and real estate also suffered. Structured finance was looking as if it would be obliterated. Only one interviewee in the study emphasized that the firm did very well despite the economy.

**Table 1 – Law Firm Assessment of Current Economy**

Source: ALM Legal Intelligence Economic Confidence Index Report, December 2009



What came as a surprise to many law firms was that in this recession, litigation did not pick up as it did in economic downturns before. Even bankruptcy has not proven to be the savior hoped for by firms that invested heavily in the area. Nevertheless, those firms with a wider portfolio of practice areas generally reported a less severe impact than more focused practices.

*“Our firm hasn’t suffered that much really. That’s the beauty of a diverse firm. Some [practice] areas go up, some down when you look at it firm wide, it’s mostly balanced.” (9)*

*“People don’t seem to want to fight in this economy. Our litigation [department] has suffered significantly.” (10)*

Geography on the other hand, was said to have had less influence on the firms’ profitability. By and large, offices around the country experienced similar negative growth. However, a number of interviewees admitted that their firms’ New York and London offices felt the strongest immediate impact. Also other international offices in