

California Law Business

Closing Argument Sandford Lechtick

December 14, 1998

A '99 Forecast

Law firms looking for success next year had better learn the lessons of 1998

In the land of the blind, one eye is king and many law firms have done well in the past few years despite a myopic cornea.

While 1998 was a banner year, 1999 will pose new challenges. As a student of the state's legal market and someone who looks closely at why certain firms are sexier, more profitable, better managed and able to attract and retain talent, I believe the trends of 1998 will surely impact the coming year in the following areas.

Talent Acquisition. Clearly more firms are looking to grow by attracting laterals. In 1998, my firm was retained to find more partners and associates than we have ever seen in the last decade. Yet, one of the issues that more managing partners and department chairs raise is that they're not seeing as many proven revenue producers in key areas as they'd like - especially in corporate securities, project and real estate finance, health care, employment, and patent trademark-copyright, as well as experienced trial attorneys.

Required books of business are generally in the range of \$500,000 to \$1 million. Either the lawyers firms want say "no" or the lawyers they can have, they don't want. Money has been an effective equalizer and many partners who are not completely unhappy, have stayed put - for the time being. A firm's prosperity or lack of turnover today should not necessarily be viewed as a sign of long-term stability or profitability tomorrow. Prosperity often brings complacency which, as Thomas Watson of IBM fame said, is more dangerous than competition.

Leadership. It's hard to put your finger on it, but when it's there you know it. The converse is also true. Without a doubt, the best firms, small and large are run by decision makers who are generally strong consensus builders, excellent salesmen and astute business persons. And yes, they're fine lawyers too. Effective leaders are a combination of quality control managers, marketing directors, controllers and chief cheerleaders. Look at any firm that has its act together and you will see effective leadership, not risk-adverse caretakers. A few of the leaders who come to mind are: Larry Sonsini of Wilson, Sonsini; Robert Dell of Latham & Watkins; Ralph Baxter of Orrick, Herrington; Gordon Bava of Manatt, Phelps; Richard Gary of Thelen Reid; Bruce Jeffer of Jeffer Mangels; Morgan Chu of Irell & Manella; Robert Rosenfeld of Heller, Ehrman; David Balabanian of McCutchen Doyle; Robert Lewis of Lewis D'Amato; and Craig Simon of Berger Kahn.

Passing the torch. Irell & Manella has it. McKenna & Fitting did not. Munger, Tolles & Olson has it. Gendel Raskoff did not. Greenburg Glusker has it. Kaddison Pfaelzer did not. Clearly, the transition of money, power, clients, and leadership is utterly essential for any law firm to survive and prosper. The toughest thing for an executive to do is train the person who is going to displace him. An equally tough thing is for gray-haired rainmakers to turn over the reins to the up and comers. Too many firms have senior partners who have a declining work ethic, either sucking a disproportionate share of the profits or are too focused on protecting their turf. If the young Turks feel squeezed out, they move out. Lack of new leadership is every bit as deadly as lack of new clients.

Women Leaders. When Pillsbury Madison & Sutro, a firm considered stodgy by many, elects Mary Cranston, former litigation chair, to be chair of the firm and Marina Park, managing partner of the Silicon valley office to be firmwide managing partner, you know things are changing. This is a continuation of a trend that started when Jessica Pers ran Heller Ehrman. Today, Nancy Cohen runs Heller's L.A. office, and Sarah O'Dowd manages the Silicon Valley office. Colleen Doyle runs McCutchen's L.A. office; Gail Title runs Katten Muchin's L.A. office; Deborah Koeffler manages Mitchell Silberberg; Angela Bradstreet runs Carroll Burdick; and Jane Barrett, formerly the managing partner of Lawler, Felix & Hall, is the founder and managing partner of Preston Gates' L.A. office.

These women, all outstanding lawyers, were chosen because of their accomplishments and leadership abilities, not because of their gender. Quite frankly, I believe women, in many instances, make better leaders. They are often terrific conciliators and devoid of the huge ego and "protect-my-turf" syndrome that impedes the leadership effectiveness of some men.

Mergers and Acquisitions. The merger of 17-lawyer Hosie Wes Sacks & Brelsford with Perkins Coie, a 300-plus lawyer Seattle based firm, surprised many in the legal community. Hosie Wes extremely profitable and had a terrific technology/internet/finance base.

"Like many of our client start-ups, we formulated a plan to be so well-positioned that we would be a highly desirable merger candidate. We always knew that we wanted a larger platform from which to service our clients." Said managing partner James Brelsford.

Recently Donovan Leisure's litigation group merged with Orrick, Herrington & Sutcliffe; I.P. boutique Poms Smith merged with Oppenheimer, Wolff & Donnelly. This past year saw several lawyers leave Graham & James in Northern California to become the Silicon Valley office of Preston Gates. Alschuler, Grossman & Pines is merging with Stein & Kahan. Corbett & Kane in Oakland merged with Crosby, Heafey. The biggest West Coast merger was a 250-lawyer Thelen Marrin joining with 150-lawyer Reid & Priest. The deal gave Thelen a strong entrance to capital markets and gave Reid folk's outstanding West Coast presence and litigation strength.

Last year 20 national firms merged. This year it's up to 27. And consider the fact that White & Case, with 848 lawyers, is in merger discussions with 366-lawyer Brown & Wood. The combination would create the world's fourth- largest law firm. And, the merger is designed in part to make the whole firm more attractive as a merger candidate with a British firm.

Sex Appeal. Heller Ehrman has become one of California's sexiest firms and has won several contests for top laterals. Early in the year it landed senior litigator Darryl Snider from Shearman & Sterling. After he turned down Skadden Arps, Orrick Herrington and other firms. It landed labor partner Deborah Saxe from Jones Day; Andrews & Kurth managing partner Michael Williams; Bruce Jennett, former chairman of Fenwick & West's life sciences group; Bruce Mackler, Michael Landa and Gary Gamerman from Fenwick's D.C. office; and Ina Risman, the West Coast intellectual property chair of Pillsbury. When Kindel & Anderson imploded last year, the highly sought-after corporate group headed by Neal Brockmeyer had several offers and wound up at Heller Ehrman. A few months ago Heller Ehrman also landed an outstanding biotech group in its San Diego office.

Firms such as Paul Hastings; Orrick Herrington; and Sidley & Austin have also added terrific laterals. The trend will continue.

Courtship or Seduction? The bottom line is that a firm must not only effectively balance people vs. profits but be extremely pro-active in attracting talent. The competition is stiff, and contrary to the perceptions of many, the capture process is not just based on money. Many of the partners we've placed did well financially, but we believe that touchy-feely stuff, the firm's culture and people issues were also very important. I have seen many instances in which a firm that was doodling around lost out, even when the candidate initially liked that firm best. I have also seen many firms win over a candidate when other law firms would have offered more money.

Law firms that are most successful in attracting talent – both in capturing partners and associates, leave nothing to chance. They have key lawyers who aggressively court them and reel them in more quickly. People like Larry Braun of Sheppard Mullin, Jack Lasater of Crosby Heafey, Chuck Birenbaum of Thelen Reid and Art Silbergeld of Sonnenschein Nath make my job easier.

Sandford A. "Sandy" Lechtick is president and founder of Esquire Inc., Legal Search consultants, a California attorney placement firm. He specializes in partner placement, practice group acquisitions and law firm mergers.