

*Northern California Law Firm Leadership:
Landscape
Challenges
Solutions*

*Northern California Association of Law Libraries
Spring Meeting
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Today's presentation

- ◆ *Northern California legal services market*
- ◆ *Recent developments*
- ◆ *Law firm leadership in times of economic stress*

Northern California Legal Services Market

NLJ 250 (2008) -- San Francisco

- ◆ SF now has 74 NLJ 250 firms (4000 lawyers), incl 12 w/ historic Bay Area ties
 - Bingham McCutchen, Cooley, Fenwick, Gordon & Rees, Littler, MoFo, Orrick, Pillsbury, Sedgwick, Thelen*, Townsend, and Wilson
 - ◆ 62 from out of area, most arrived in past 15 years
 - ◆ compares w/ 40 NLJ 250 firms (2400 lawyers) in 1993, incl 14 w/ historic Bay Area ties
 - Brobeck*, Bronson*, Cooley, Graham & James*, Heller*, Littler, McCutchen, MoFo, Orrick, Pettit*, Pillsbury, Ropers, Sedgwick, Thelen*
- * Dissolved or merged out of existence

Northern California Legal Services Market

NLJ 250 (2008) – Silicon Valley

- ◆ Silicon Valley now has 54 NLJ 250 firms (2600 lawyers), incl 10 w/ historic Bay Area ties
 - Bingham McCutchen, Cooley, Fenwick, Littler, MoFo, Orrick, Pillsbury, Thelen*, Townsend, and Wilson
- ◆ 44 from out of area, most arrived in past 15 years
- ◆ compares w/ 20 NLJ 250 firms (800 lawyers) in 1993, incl 13 w/ historic Bay Area ties
 - Bingham McCutchen, Brobeck*, Bronson*, Cooley, Fenwick, Graham & James*, Heller*, Littler, MoFo, Pillsbury, Ropers, Thelen*, and Wilson

* Dissolved or merged out of existence

NLJ 250 (2008) -- Sacramento

- ◆ *Sacramento now has 15 NLJ 250 firms (200 lawyers)*
- ◆ *compares w/ 10 NLJ 250 firms (100 lawyers) in 1993*

Northern California Legal Services Market

NLJ 250 (2008)

- ◆ SF has 4th highest concentration of NLJ 250 firms in US

Washington, DC	167	14,239
New York, NY	154	23,280
Los Angeles	96	6,101
San Francisco	74	3,976
Chicago	68	8,267
SF/SV (combined)	90	6,576

What does this tell us?

- ◆ *NorCal legal services market is one of most competitive in the US.*
- ◆ *Large-firm presence in Silicon Valley has more than tripled in 15 yrs*
- ◆ *Large-firm presence in San Francisco has increased by about two-thirds in 15 yrs*

Northern California Legal Services Market

Recent developments – new offices since '03 incl

- ◆ *Akin Gump*
- ◆ *Arnold & Porter*
- ◆ *Bryan Cave*
- ◆ *Dewey LeBoeuf (thru merger)*
- ◆ *DLA Piper (thru merger)*
- ◆ *Goodwin Procter*
- ◆ *Hunton & Williams*
- ◆ *King & Spalding*

Recent developments – dissolutions

- ◆ *Heller*
- ◆ *Thelen*

note, however, that overall rate of law firm failures has not increased significantly

Recent developments – why dissolutions?

- ◆ *Significant partner defections*
- ◆ *Failed merger talks, i.e., external rather than internal solution*
- ◆ *Excessive leverage*
- ◆ *Default under bank credit agreements*
- ◆ *General economic crisis leads to bank inflexibility*
- ◆ *Failed leadership*

Recent developments – significant NorCal mergers

- ◆ *Manatt Phelps acquires Steefel Levitt (1Q08)*

future merger activity subject to question

- *strong firms may look to acquire weaker firms*
- *weaker firms may look to stronger firms for bail-out*

but all firms will be cautious

Recent developments – law firm response to economic downturn (short-term)

- ◆ *Attorney & staff layoffs*
- ◆ *Defer start dates for 1st yr associates*
- ◆ *Associate salary cuts & freezes*
- ◆ *Billing rate pressures, discounting*
- ◆ *Cost cutting*

*Northern California Legal Services Market**Recent developments – layoffs*

	<u>Attys</u>	<u>Staff</u>	<u>Date</u>
<i>Bingham</i>	16	23	<i>Mar 09</i>
<i>Cooley</i>	52	62	<i>Jan 09</i>
<i>Fenwick</i>		36	<i>Jan 09</i>
<i>MoFo</i>	53	148	<i>Jan 09</i>
<i>Orrick</i>	40	35	<i>Nov 08</i>
<i>Orrick</i>	100	200	<i>Mar 09</i>
<i>Pillsbury</i>	55	100	<i>Mar 09</i>
<i>Townsend</i>	16	45	<i>Apr 09</i>
<i>Wilson</i>	45	68	<i>Jan 09</i>

Northern California Legal Services Market

Recent developments – start date deferrals

Cooley

January 2010

MoFo

November 2009

Orrick

Jan 2010 to winter 2010

Wilson

January 2010

Recent developments – assoc salary cuts

<i>Allen Matkins</i>	<i>10% across-the-board</i>
<i>Greenberg Traurig</i>	<i>10% across-the-board</i>
<i>Hogan & Hartson</i>	<i>\$145K (1800-hr track)</i>
<i>McKenna</i>	<i>\$145K</i>
<i>Wiley Rein</i>	<i>\$125K (1800-hr track)</i>

Northern California Legal Services Market

Recent developments – longer-term possibilities

- ◆ *Greater flexibility in associate compensation & advancement*
- ◆ *More flexible professional staff structures*
 - *Contract lawyers*
 - *Permanent non-partner lawyers*
- ◆ *Greater attention to underperformance*
- ◆ *More efficient pricing models, e.g., project pricing*
- ◆ *Leadership & management training*

Leadership Focus in Economic Downturn

- ◆ *Fiscal strategy*
- ◆ *Communication*
- ◆ *Client relations*

Fiscal strategy

- ◆ *Annual budget*
 - *Forecast revenues cautiously*
 - *Forecast expenses realistically*
 - *Under-promise and over-perform, i.e., avoid negative surprises*
- ◆ *Financial leverage*
 - *Reduce debt levels*
 - *Increase partner capital*
 - *Slow down partner draws*
 - *Goal: reduce leverage and vulnerability, increase independence & flexibility*

Communication

- ◆ *Address each constituency – partners, other attorneys, support staff, clients, lenders, landlords*
- ◆ *Elements of communication strategy*
 - *Candor*
 - *Consistency*
 - *Frequency*

Client relations

- ◆ *Seek feedback from clients*
 - *Interviews, surveys*
 - *Relationship-building*
- ◆ *Address client needs*
 - *Quality, known-quantity lawyering*
 - *Service*
 - *Pricing*
- ◆ *Look for creative solutions*

Northern California Legal Services Market

Law firms face challenges in today's economy

- Unprecedented*
- Unanticipated*
- Unprepared*

But with . . .

- sound fiscal strategy*
- effective communications*
- renewed emphasis on client relationships*

Firms will emerge healthier & thrive in long run