The Firms That Grew Fastest Without Merging

By Natalie Rodriguez

Law360, New York (May 29, 2017, 8:26 PM EDT) -- One of the first phone calls between Richard Cohen, co-founder and managing partner of Goldberg Segalla, and Rodney Janis, then the regional managing partner of three Wilson Elser offices in Florida, lasted more than four hours.

Over the next three years, the two would talk many more times as they compared notes about their philosophies on law firm management and growth. They would meet in person when their travel schedules intersected, and later they would share business information and introduce each other to their law partners as the opportunity to join forces gradually came into focus.

It is the kind of relationship-building that some firms undertake before a large-scale merger. But in this case, it was a condition of bringing Janis’ 12-member team from Wilson Elser Moskowitz Edelman & Dicker LLP into the Goldberg Segalla fold in March 2016.

The Janis team is the largest ever allowed to join the 16-year-old firm, which is wary of bringing on groups of lawyers who could silo themselves and threaten the collaborative culture Goldberg Segalla’s leaders have worked to hone. Large-scale mergers are simply off the table, according to Cohen.

“At the outset, we pledged that we would never allow another firm to infect our workplace environment,” Cohen said.

In an age where law firm merger activity has been on the rise, avoiding the consolidation bandwagon may seem like a sign that a firm is failing to grow its bench strength, a factor that is important to preserving client relationships and attracting new business.

Goldberg Segalla, however, has posted double-digit growth since its inception, and last year it expanded its ranks to 300 attorneys in a 24 percent spurt made up of individual hires and small teams. These included key additions who launched new offices in Florida, Maryland and New Jersey.
The litigation powerhouse, headquartered in Buffalo, New York, tops a shortlist of BigLaw players with more than 200 attorneys that posted over 10 percent growth last year without a major merger, according to data compiled for the Law360 400, our annual ranking of the largest U.S.-based law firms as measured by domestic attorney headcount.

Goldberg Segalla and the other firms — Buchalter PC, Burr & Forman LLP, Covington & Burling LLP, Goulston & Storrs PC and Wood Smith Henning & Berman LLP — outpaced the nearly 2 percent average growth rate among the ranked firms that provided year-over-year data for the survey.

These six firms have expended significant time and recruiting resources to woo and vet candidates, with many firm leaders dedicating several hours per week — if not per day — to meeting with potential hires. Those costs, however, are key to preserving what firm leaders say is a unique culture that could be diluted by merging with another firm.

“When you take a whole firm, you take the cream with the rotten stuff, and then you have to deal with all that,” said Adam Bass, Buchalter’s CEO.

**Bucking the Trend**

The firms that are growing without mergers are doing so at a time when consolidation is a popular strategy in the legal industry.
Between 2010 and 2011, the number of U.S. law firm mergers jumped from 39 to 60. Ever since, merger activity in the industry has generally been growing, according to Altman Weil data. Last year, there were 85 law firm mergers, and this year is on pace to beat that number, with 28 deals struck in the first quarter.

While blockbuster mergers of equals tend to nab the most attention, those are relatively rare. The average size of acquired firms in recent deals has been 25 lawyers, according to Altman Weil. Some of the faster-growing firms on the Law360 400 have been using a strategy of boutique acquisitions combined with nonmerger recruiting to bolster their rosters.

For example, Florida-based Greenspoon Marder PA grew 22.8 percent to 199 attorneys, in part through additions that include the nine-lawyer New York litigation boutique Jacob Medinger & Finnegan LLP and the five-attorney outfit Florida Health Law Center.

Other fast-growing firms made gains through much larger deals.

Blank Rome LLP and Fox Rothschild LLP, both based in Philadelphia, saw a more than 17 percent bump to their attorney ranks because of mergers or merger-style mass acquisitions. The 605-attorney Blank
Rome took on more than 100 lawyers from the Washington, D.C.-based Dickstein Shapiro LLP, and Fox Rothschild, with 775 attorneys, added 82-lawyer Oppenheimer Wolff & Donnelly LLP to gain a Midwestern foothold through the Minneapolis-based firm.

Meanwhile, Husch Blackwell LLP, based in Kansas City, Missouri, scored a 22.2 percent boost to 705 attorneys in large part through its July acquisition of the 144-attorney Whyte Hirschboeck Dudek, a firm headquartered in Milwaukee.

But it’s still possible to add 100-plus attorneys in a year without entering into such tie-ups.

Covington, for example, brought on 110 lawyers in dribs and drabs to secure a 14 percent bump to 899 attorneys in 2016.

The firm has been strategically bolstering its coastal offices, last year hiring veteran Silicon Valley deal maker Tom DeFilipps away from his post as Sidley Austin LLP’s Palo Alto office managing partner to become its new West Coast corporate practices chair. It also added Zachary Mears, a former chief of staff to the deputy secretary of defense, as a senior adviser for the firm in Washington.

**Proceeding With Caution**

Although it’s been growing its roster by hiring individuals and small groups, Covington isn’t against the idea of a merger. The D.C.-based firm successfully executed one in 1999 to take on the 60-lawyer Howard Smith & Levin LLP in New York, and Tim Hester, its co-chair, won’t rule out a similar deal.

But he says it’s unlikely the firm would do a deal that would significantly alter its scale or affect the way it runs itself. Instead, Covington will stick to cherry-picking lateral hires — particularly young attorneys who can be promoted to partner over time — and small teams.

“One of the reasons we have continued to focus on this strategy is we think it has worked well for us,” Hester said. “We have gotten significantly stronger and significantly more effective in delivering value to clients.”

Some firms can be successful at growth by merger, but it can destroy others, said Dan Berman, co-founder and chairman of Wood Smith. He’s witnessed this phenomenon among competitors over his past two decades as a manager.

“I’ve seen firms fragment,” he said. “I’ve seen clients be concerned about the levels of quality across offices. It can lead to a lot of internal competition.”

Wood Smith came in second behind Goldberg Segalla among firms growing without mergers, with its ranks expanding 15 percent to 214 attorneys last year. The firm opened offices in Philadelphia, Chicago and Atlanta after hiring local litigators Elizabeth Chalik, Craig Derrig and Richard E. Zelonka Jr., respectively, to lead those expansions.

It also secured new offices for its New York roster, which has grown from a six-member team of former Wilson Elser litigators to nearly 30 attorneys.
The Wilson Elser hires, who opened an East Coast base for the California-headquartered firm in 2013, are still the largest group Wood Smith has ever embraced — an addition that was accompanied by efforts to ensure they were properly integrated.

“I spent 14 to 15 trips to New York in that first year to make sure they were connected and understood our philosophies,” Berman said.

About a year ago, when a national group of about 35 lawyers approached the firm to gauge interest in joining up, Wood Smith’s leaders considered the proposal but ultimately declined.

“You’re only going to know some of them,” Berman said. “If it’s too large a group, you’re not going to know everything you’re getting.”

One firm less wary of a merger is Burr & Forman, whose 11.9 percent growth without a merger put it on the list.

Based in the Southeast, that firm expanded its roster to 310 attorneys last year. It has been approached by firms in the Midwest that were looking to expand into the growing Southern market, said Lee Thuston, its chairman. The potential merger partners were also interested in Burr & Forman’s three top client pools: manufacturing, financial institutions and health care.

With the exception of one six-member team in Jacksonville, Florida, nearly all of its recent additions have been single hires, however.

“Would we pick up a firm with 10, 15 or 20 attorneys? Yes, but we just haven’t found the right one,” Thuston said.

Building Collegiality

Collaboration among attorneys is a key theme in the strategies of these firms, and many gear their financial structures to encourage collegiality through both transparency and financial incentives.

Thuston is protective of the way Burr & Forman runs itself: It doesn’t have any debt, all partners get a look at the books, overhead is kept low, and one of the top expenses is the 4 to 5 percent of revenue that the firm spends on legal marketing.

The firm values entrepreneurship and will pull out all the stops to help an attorney with a sound business plan. Several years ago, for example, the firm called on about 30 of its lawyers — nearly one-tenth of its current size — to attend a meeting that helped a new partner win an additional portfolio of legal work from an existing client.

“This guy is probably a $5 million-a-year client now,” Thuston said.

There are some lines, however, the firm won’t cross in order to pad its bottom line.
“I would never force some jerk lawyer onto partners in another city who didn’t want [that person] at Burr & Forman,” Thuston said. “That’s a recipe for disaster.”

At Goulston & Storrs, which saw its overall ranks grow 13 percent to 215 attorneys, there is no origination credit for client work and no lockstep or numbers-based system. The range of compensation among attorneys in a certain class is much more compressed than at other firms, and “virtuoso” talents who don’t like working on teams are often culled during new hire vetting.

“Our model is to invite people into the firm who are comfortable opening up their Rolodex to their colleagues,” said Martin Fantozzi, Goulston & Storrs’ co-managing director.

Recently, the real estate-focused firm has been adding strength in a broad array of areas — development, zoning, financing — in both its New York and D.C. offices, and it has been expanding its corporate and finance bench in Boston and New York.

Bullish on growth in the Big Apple, an outpost the Boston-based firm launched in 2003, Goulston has recently taken half of the 24th floor at 885 Third Ave. to add to its 18th-floor digs. The new space gives it room to house about 13 more attorneys.

Buchalter, a West Coast regional firm headquartered in Los Angeles, encourages collegiality through employee lunches in which junior lawyers and senior partners mingle around In-N-Out Burger trucks. All partners have access to all of that firm’s financials, and a formula known by all of its lawyers is used to calculate both compensation and promotions.

“If folks meet the metrics, we’ll make them partners,” said Bass, the firm’s CEO.

Buchalter grew 13.2 percent last year to 206 attorneys. It has been busy bolstering existing capabilities like litigation and real estate in addition to adding a Sacramento office and a new Los Angeles-based practice serving Japanese clients.

Guarding the Door

In just over 100 days, James Dyer — a recent Buchalter lateral hire who leads its new Sacramento location — has grown the startup office to 11 attorneys.

Dyer was pulled into Buchalter after an intensive personal campaign lodged by Bass. Originally, Dyer — who had no interest in leaving his former firm — didn’t even want to meet in a public space, according to Bass.

Over a three-month period, however, Bass kept in regular contact with phone calls and texts. The two got together for dinners with their wives, and Dyer was eventually introduced to about 80 of the firm’s attorneys...
through one-on-ones and group lunches.

When Dyer texted him a photo of the Sacramento Capitol while on a run at 5 a.m. on a Saturday, Bass remembers responding quickly: “That’s why you need to be here, because we’re going to run circles around everybody else.”

Unless Bass is in court or traveling for work, he interviews potential candidates every single day. There is a focus on building a strong associate bench in such efforts, but when there’s a particular client need for new geographic or practice offerings, he looks for specific partners or senior attorneys to target.

That targeting often involves meeting dozens of Buchalter attorneys and having Bass get on a first-name basis with a candidate’s immediate family members.

For Sabina Helton, the Los Angeles shareholder who launched the firm’s new Japan practice, the three-month initiation helped her set aside reservations that Buchalter might mirror some of the BigLaw experiences she had been trying to get away from.

“It takes a lot more time, it’s a lot more work, and it’s significantly harder to do, but we think the results and the numbers and the way it shakes out is a superior way to build a firm if you really care about each hire,” Bass said.

In addition to vetting outside hires, several of the firms on this list say they are focused on building a pipeline of talent to help preserve firm culture. Law360 400 data seems to bear this out, showing that most of the new growth at these firms is coming from the addition of associates rather than partners.

While the average year-over-year partner growth at these firms was about 7 percent — well above the 2 percent partner growth averaged across the Law360 400 firms that provided year-over-year data — that is half of their total attorney growth of 15 percent. At some firms, the gap is much higher. Covington increased its total headcount by 110 attorneys last year, but added just seven to its partnership ranks.

Many of the partner additions at these firms are coming from promotions of associates rather than through lateral hiring. Out of the 23 additional partners that were added to Burr & Forman’s lineup in 2016 — which was a 14.56 percent increase from the previous year — 10 of those were former associates who earned promotions.

At Goulston, having a large pool of associate-level talent helps boost the odds that potential future leaders will emerge, said Barry Green, the firm’s co-managing director. The firm saw its partner ranks shrink last year — albeit by 1 percent — in part because the firm is trying to rebalance an inverted leverage, in which there are slightly more partners than associates, he said.

“We do believe in the farm system,” Green said.

Goulston veers from the BigLaw pack in not paying associate bonuses, which have become a highly watched metric in the industry. The firm’s competitive salary and penchant for making associates partners, however, have helped attract top real estate and corporate talent, Green said.

While hiring individuals and promoting from within can stave off many of the challenges that come from the quick expansion of a merger, the firms on the list still need to be on alert for potential missteps from their rapid growth, some of the leaders acknowledged.
Goldberg Segalla expects to add 50 to 75 new attorneys this year, but it also is putting the brakes on office additions, according to Cohen, its managing partner. After opening eight new offices in the past three years, it has committed to “digest all of the geographic growth” in 2017, he said.

Cohen says his firm is always on high alert to study whether its growth is causing problems for its attorneys — or worse, for its clients.

“There is nothing whatsoever special about being large and dysfunctional,” Cohen said. “If we ever get to the point we can no longer exceed clients’ expectations, or we do a disservice to the firm’s culture, we are done growing.”

—Editing by Jeremy Barker and Jocelyn Allison.

Methodology: Law360 surveyed U.S. law firms, and vereins with a U.S. component, on domestic attorney and partner headcount information as of Dec. 31, 2016. Firms based outside the U.S. were not surveyed, and only attorneys based in the 50 states and the District of Columbia were included in the responses. Firms that have shareholders, members or principals in lieu of partners have those numbers listed in the "partner" field. The analysis of the percentage changes in year-over-year attorney and partner headcounts includes only firms in the Law360 400 with 200 or more attorneys who responded to Law360’s headcount survey in 2016 and 2015.

In compiling our list of the firms that grew fastest without merging, we eliminated any firm that executed a merger or mass acquisition in 2016.

Correction: A previously published version of this story misstated the year Goulston & Storrs opened its New York office, as well as which floor it occupies in the building. The errors have been corrected.