THE AMERICAN LAWYER | THE AM LAW DAILY
An ALM Publication

Crash Course: How a Small Group of Firms Pivoted and Profited After the Recession

Firms including Cooley, Paul Weiss, McGuireWoods and King & Spalding used the Great Recession to chart a new path to success.

By Meghan Tribe
April 23, 2019

Before 2008, most law firms could get a piece of the pie without much strategy guiding how they got it. And then the pie was gone.

The Great Recession changed the global economy and the legal industry as we knew it. In the decade since, very few firms have had a solid stream of revenue increases, Bruce MacEwen and Janet Stanton of law firm consultancy Adam Smith, Esq. say.

Since fiscal year 2009, only 27 of the 100 firms on the Am Law rankings have had year-over-year growth in revenue, according to **ALM Intelligence** data.

The firms that are pulling away share some characteristics, Stanton says. They tend to operate in a more business-like way, which means a focus on profitability, intentional planning, strategic intake and succession planning for leadership roles and client management, she says.

"From the 1980s to 2008, law land didn't have to do any of these things, so these firms that are pulling away changed their strategy," Stanton says.

These firms have been able to get it right for nearly a decade, and each had to develop a unique strategy to make it happen. To understand how a select group of firms turned the recession into an opportunity to thrive, not just survive, The American Lawyer spoke with a group of leaders who played a pivotal role in reimagining their firms' trajectories.

The firms that have delivered year-over-year growth since the 2009 fiscal year include: Akin Gump Strauss Hauer & Feld; Baker & Hostetler; Barnes & Thornburg; Cooley; Davis Polk & Wardwell; Duane Morris; Fox Rothschild; Fragomen, Del Rey, Bernsen & Loewy; Gibson, Dunn & Crutcher; Goodwin Procter; Holland & Knight; Jackson Lewis; King & Spalding; Kirkland & Ellis; Latham & Watkins; McGuireWoods; Milbank; Morgan, Lewis & Bockius; Ogletree, Deakins, Nash, Smoak & Stewart; Paul, Weiss, Rifkind, Wharton & Garrison; Perkins Coie; Polsinelli; Proskauer Rose; Ropes & Gray; Sheppard, Mullin, Richter & Hampton; Simpson Thacher & Bartlett; and Williams & Connolly.

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California Hustle

Joe Conroy became CEO of Cooley in January 2008. In his first address at a partner meeting, he laid out his plans for the Silicon Valley firm's aggressive growth strategy that included a global footprint and other truisms—or at least what he thought were truisms.

"They didn't throw rotten fruit at me, but it's because they didn't have rotten fruit," Conroy says. "They weren't really buying it."

Joe Conroy

COOLEY

	2009	2018	Change
Gross Revenue	$507,000,000	$1,226,149,000	141.8%
RPL	$805,000	$1,296,000	61.0%
PEP	$1,170,000	$2,382,000	103.6%
Head Count	628	946	50.6%
Equity Partners	152	225	48.0%
Nonequity Partners	84	94	11.9%

But he had a fundamental concept he wanted to instill in the minds of the firm's partners: The recession, for however long it would last, presented an opportunity.

Conroy joined the firm in 1999, immediately ahead of the dot-com crash that "should've, candidly, killed a firm that was configured the way our firm was configured," he recalls.

But after the crash, Cooley began rebuilding, trying to dispel the notion that it was simply a West Coast firm. Its strategy—if it had one back then—was to be a better tech firm, Conroy says. It invested in its vibrant emerging companies and life sciences practices and worked with venture capital funds, including fund formation and investment deals. It also looked to invest in its East Coast operations, leading to a 2006 merger with New York litigation boutique Kronish Lieb Weiner & Hellman that created Cooley Godward Kronish, a 550-lawyer national firm. The firm was cruising along, with its revenue jumping over 44 percent from 2006 to 2007. But when the recession hit, it hit Cooley, like most other firms, hard. Revenue fell 8.2 percent and profits per partner tumbled 11.4 percent from 2008 to 2009. But as Conroy assumed leadership of the firm, he remained steadfast in his conviction that the firm needed to use the recession to separate itself from the pack.

"For us to succeed, we didn't need to outrun the bear," Conroy says. Cooley just needed to outrun its competition.

The recession was the tipping point for bifurcation in the legal industry, and the number of firms that could ably compete for the best business was about to shrink, Conroy says. Cooley developed a strategy of becoming "elite and distinctive"—elite in its finances, branding, clients and geographical coverage, and distinctive in its focus on tech, life sciences and venture capital. And, more important, Conroy adds, it would set itself apart in its representation of high-growth, innovative companies, safe in the knowledge that partnering with the biggest and most powerful companies in the world would allow the firm not only to stay at the forefront of growing fields, but to pedal back as the point of entry into big-ticket work, Conroy says.

That strategy has paid dividends. Since 2009, gross revenue at Cooley has grown nearly 142 percent. Net income has ballooned 168 percent. Revenue per lawyer is up 61 percent. The firm has grown its partnership ranks by nearly half, and still more than doubled its profits per partner in the process.

"This firm is based on hustle," Conroy says. "We've got this business development gene in our DNA and there's this real affinity for the collective rather than the individual."

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