

# So You've Decided You Want to Grow Your Firm... Now What?

Using competitive intelligence  
to expand and increase profitability

15 August 2007

## Agenda

- State of the profession
- Growth strategies and due diligence
- Practical usage scenarios
- Questions

## Challenges Facing Law Firms

- Explosive growth and competition
- Profitability pressures
- Little or no understanding of where to focus efforts
- The battle for talent
  - Retention will be a major challenge
  - Recruitment is necessary to even maintain status quo
- Lack of easy-to-use tools to get information to professionals
- Many, many choices; penalty for error is high

## Statistics: Growth

- Consistent growth across the board in 2006
  - Revenue growth 9.8%
  - PPP growth: 10.6%
  - Expenses also growing faster...
- Realization rates are on the decline or flat at majority of largest firms

*Source: Hildebrandt International, Citigroup Private Bank*

## Merger Mania

- **Big are getting bigger**
  - 2006 NLJ 250 average size: 486 lawyers (up from 467)
- **Merger activity very high and accelerating**
  - 58 completed mergers and acquisitions involving US law firms
  - Up 18% over 2004 and 2005
  - Smaller using mergers to quickly find new business, retain key clients and expand current influence
  - Representative big deals
    - Thelen Reid and Brown Raysman
    - Bingham McCutchen and Swidler Berlin
    - Buchanan Ingersoll with Klett Rooney
  - New York, Washington, D.C., and California have most activity
- **2007 mergers expected to be even bigger**

*Source: Hildebrandt International, Citigroup Private Bank*

## Lateral Acquisition

- Many mergers not completed
  - Financial issues
  - Leadership and management role disputes
- Quick expansion in the number of domestic branch office openings
  - 82 new offices
  - Up 24% over 2005
  - Lateral acquisitions and selective practice expansion are key growth tactics

*Source: Hildebrandt International, Citigroup Private Bank*

## Battle for Talent

- The lateral partner bazaar
  - 2,153 lateral partner moves among AmLaw 200 firms during most recent one year period (American Lawyer Media, *Lateral Report*)
  - Average of 2321 per year for last five years
- Culture and fit are critical components of attracting and retaining key talent (and their books of business)

Source: Hildebrandt International, Citigroup Private Bank

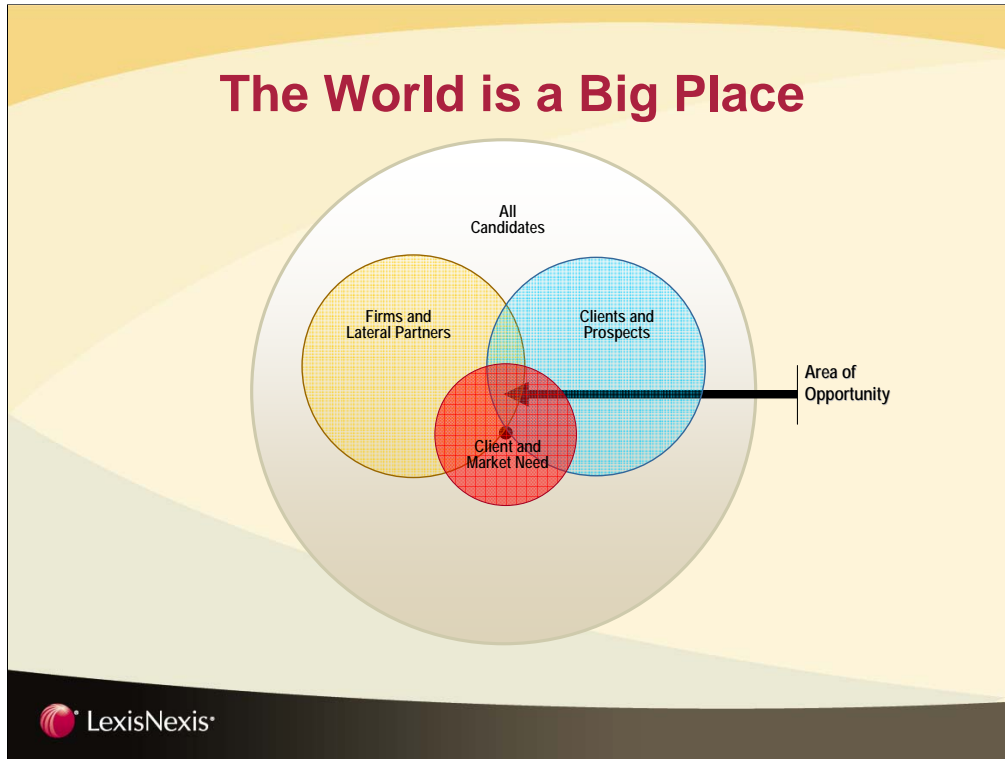
## Professional Challenges

- “I’m tired of spending time chasing endless possibilities.”
- “Screening merger candidates saps management and lawyers time.”
- “I need realistic, accurate data.”
- “It is hard to find partners who are both profitable and a good fit for our firm.”
- “I need to build upon our existing strategy, not create new ones.”



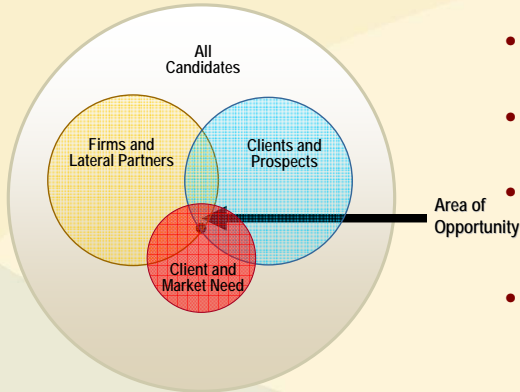
## Growth: Due Diligence

1. Narrow expansion choices
  - based on client need
  - based on market opportunity (broad--geographic, industry)
2. Create short list of firms, locations and/or partners
3. Compare top client lists for conflicts and new business potential
4. Reality based review of transactional/litigation history
5. Negotiate terms based on findings
6. Close the deal/hire (or walk away)
7. Quickly integrate; take advantage of new synergies



Do not confuse work your firm CAN do with what you choose to focus on...  
Find the overlap of where you have influence, relationships and issues the client faces that you have expertise in. That is your sweet spot.

## The World is a Big Place



- Show me all firms we could merge with
- Show me all *small* firms we could merge with
- Show me all *small* firms we could merge with that have a solid *IT litigation* group
- Show me all *lawyers* at *small* firms that have a solid *IT litigation* practice with a book of clients in the *pharma* industry

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## **Real World Scenarios**

Putting intelligence to work

## Scenario 1

Your firm wishes to expand its business with one of your top clients, eBay. However, your exposure to them is limited to one lawyer who handles only occasional transactions.

What practices should you focus on? Where? What do you do?





#### Using eBay IP Issues

- View Litigation Trends, show TM and Patent are top issues
- Show top geographies
- Show top competitors
- Mention targeting CA

## Scenario 2

Your firm is thinking about a merger or acquisition to better serve eBay in IP litigation. However, can we build an entire office around this practice?

Is there enough work to justify a big move? What do you do?



Show Ebay, More Like this

- Click CA, over 5000 employees
- Get list, then select Firm Number of Lawyers = 20-49
- Click Case type, Patent
- Show firms tab, sort by cases
- Highlight Kecker in SF

# Live Demonstration

## Scenario 3

You have identified a potential merger candidate. Are there potential conflicts?

How do you avoid wasting your valuable time and the time of the management committee?





Using Keker as sample

- Show profile
- Show clients
- Show litigation history
  - Patent history drill down
  - Show clients

## Scenario 4

You want to hire lateral partners to expand your presence in the pharmaceutical industry. Where do you find them?

Can you be sure they have the book of business they claim to have?





Go to Company and Litigation List

- SIC Pharmaceutical preparations, over \$100MM
- Click case type, patent
- Click Number of Lawyers, 0-50
- Admitted to practice: CA
- Show firms, show lawyers

## Scenario 5

You want to expand your present litigation work with Allergan by hiring lateral partners who have also represented them in the past.

How do you create a short list?





Go back to industry list

- Refine to over 1BB
- Check Allergan, click View tagged
- Show lawyers, sort by number of cases
- Talk about single lawyer recruitment

## Summary

- Competition for talent is increasing
  - Compensation skyrocketing
  - Most profitable work going to the elite
- Underperforming mergers and lateral hires waste time and kill firms
- Make the world smaller
  - Client based criteria
  - Sustainable market need
  - Proven winners and rainmakers

# Questions?

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