

By Lisa Hooker

# Recession Lessons

With the economy on the skids, it's a buyer's market for legal services. Law firms are adapting with new practices areas, cost controls and stepped-up client relations.



DAN TRITTSCHOLD

*Kegler, Brown, Hill & Ritter has boosted its focus on international business development. Pictured are (from left): managing director Michael Zatezalo, associate Vinita Bahri-Mehra and director Marlijn Steger.*



**L**aw was once a profession thought to be immune from economic downturns. This wide and deep recession has proven that's no longer the case.

"Law used to be a seller's market where the firm dictated what services are offered and at what price. Now it's a buyer's market. The recession is accelerating the shift, and it's occurring nationally and internationally," says Ward Bower, a principal of legal consulting firm Altman Weil Inc., based in Philadelphia.

"This recession is driving home the message that law firms everywhere must be run like any other business. They need to control costs, look at pricing strategies and listen to their clients," Bower says.

The Am Law 200, a compilation of America's highest-grossing firms, confirms law offices are under pressure. "Since the beginning of 2008, the legal industry has shed some 11,000 jobs. About 3,000 of them are attorneys and the rest are paralegals and support staff. Those numbers from Am Law 200 show that law firms, even the biggest ones, are subject to the same economic pressures as any other business," Bower says.

Still, while some firms have made layoffs and cut back spending, Central Ohio's legal scene hasn't suffered as much as other markets. Because they serve a disproportionate number of financial services clients, law offices in money centers such as New York City—and abroad in London and Hong Kong—have been the hardest hit and suffered the most job losses. "Law is labor-intensive. About 80 cents of every dollar pays someone," Bower says. "Firms are shedding attorneys to cut costs, or they've discovered they need fewer lawyers at the high-priced partner level and more at the lower-priced associate level."

The recession also is changing how clients pay for legal services. A few are challenging traditional hourly billing. "That's not appealing to corporate clients today, and they'll put incredible pressure on firms to discount their services. They're looking for a fixed or flat fee per transaction," Bower says.

At the same time, clients are more demanding than ever. "The firms that aren't listening closely to their clients will lose clients. The competition is that stiff today," Bower says.

Altman Weil gives Columbus law firms high marks for client service. "We've done surveys for several of them, and they've received some of the highest marks we've ever seen," Bower says.

In addition to providing top-notch service, local firms also have benefited from

the region's relatively stable marketplace. "Central Ohio's economy is more diverse, and Columbus firms aren't as concentrated in financial services. They've felt the recession, but not to the same degree as other places," Bower says.

According to a February 2009 survey by the Columbus Bar Association, 47 percent of responding firms kept local staffing levels the same, 35 percent eliminated positions and 17 percent added employees in 2008. For 2009, about 65 percent intended to maintain the same staffing level, 21 percent expected to hand out pink slips and 14 percent planned to hire.



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On the revenue side, 2008 billings dropped at 38 percent of firms that responded to the survey, but increased at 35 percent. About 46 percent reported a lighter case load last year, while 35 percent reported an increase. For 2009, 35 percent projected an increased case load and 31 percent expected a decrease.

Columbus law firms are adapting to the recession in various ways, including launching new practice areas, instituting internal changes and responding to new client needs. Here's a look at how several firms plan to not only survive the recession, but also position themselves for success once it passes.

## Expansion

"Benesch recalibrated how and what we do to reflect this new economy and our clients' changing needs," says C. David Paragas, partner-in-charge of Benesch, Friedlander, Coplan & Aronoff's Columbus office.

About 18 months ago, Benesch opened an office in Wilmington, Del., to handle bankruptcies and reorganizations. "We recognized there'd likely be more bankruptcies. Delaware is a key location in the handling of corporate bankruptcy filings, because so many companies incorporate there," Paragas says. "Those who've filed for bankruptcy protection would normally use their Ohio law firm and hire a Delaware firm to handle the bankruptcy proceedings. Now there's no reason for Benesch clients

to hire a Delaware firm."

Benesch also added a public finance law practice to focus on the bond markets. The firm is counting on increased activity for projects funded through the American Recovery and Reinvestment Act of 2009. "Municipal and state bond programs are very active right now, so our crystal ball turned out to be right," Paragas says. "We're seeing a lot of recapitalizations and reorganization of government entities. In Ohio, a big portion of the state budget was refinancing of current bonds."

A new economic development practice assists clients with strategic business ex-

pansion. "They're interested in how they can use the federal stimulus money for new technology or green technology. We help them identify available tax credits and economic incentives from the stimulus bill and other sources," Paragas says.

## Shifting Trends

"We see the economic downturn as an opportunity to ensure our firm is functioning efficiently," says Frank Ray, a partner at Chester Willcox & Saxbe.

Ray reports an upturn in business since the first of the year. "On a sobering note, much of the legal work aligns itself with challenges related to the recession," he says. "Collateral to all of this is our employment law section cannot get out of the office they're so busy. You name it and we're seeing it: downsizing, merger and acquisitions, reorganizations, leadership changes. All of those machinations create legal work."

The trial attorney says mediation has grown into an accepted course of business. "Almost all commercial disputes are resolved this way, because it removes the unpredictability of civil litigation. Especially in these times, the resolution of cases brings finality and definition that the business can translate into dollars paid out and dollars received," Ray says.

He also sees a shift in tort litigation, claims of injury and death from automobile injuries, product liability and professional



negligence: "Over the past year, I've seen substantial verdicts after a long stint of conservative awards." He credits changing jury attitudes, rather than two rounds of legislative changes, for the reversal. "There's greater receptivity toward higher claims. It's a very big shift," Ray says.

In the wake of the Bernard Madoff scandal, investor issues have kept Chester Willcox & Saxbe's phone ringing. "I've had several calls on alleged broker negligence and fraud in this unfortunate investor climate. Out of the dozens I've received, I've only processed one claim. The claims simply were not meritorious," Ray says.

## **Relationship Driven**

"In this economy, clients are looking for savings opportunities and to develop new business," says Don Leach, Columbus managing partner at Dinsmore & Shohl.

His firm recently hosted an open house for 450 clients, public officials and referral sources at the Columbus Clippers' new stadium. "At the time, many of them had not been to Huntington Park yet. We took the park's opening as an opportunity to thank them for their relationship, and we celebrated the one-year anniversary of adding 27 attorneys to our Columbus office," Leach says.

Huntington Park also was the site for Dinsmore's intellectual property planning seminar, which preceded a Clippers game. "We combined education with networking at a social event. It was a great success," Leach says.

The firm tries to be proactive in its client communications. "We have 20 practice areas sending out e-mail updates to explain the impact of legal developments or proposals," Leach says. "A number of the practice areas also send regular newsletters. We want to keep clients informed, so they can make wise business decisions based on the most current information."

Leach considers these networking events and newsletters to be value-added legal services. "By being active with clients or on behalf of clients, we get to know each other better. That only enhances our ability to assist them," he says.

Dinsmore & Shohl also encourages civic involvement. "The corollary is that it creates a new relationship for us and the non-profit groups," Leach says. "We meet people who could benefit a client. We facilitate the development of a new relationship, or assist in settling a difficulty.

"We've done these things in the past, but are placing greater emphasis on them in light of today's economy to better serve our clients."





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## Finding a Niche

“Our firm’s history of niche practices helps us prosper in difficult economic times,” says Michael Zatezalo, managing director at Kegler, Brown, Hill & Ritter.

International business development is hot right now. “Clients are asking what geographic markets can help them in this recession and how to diversify their business portfolio. India and China are the obvious answers. They might have thought about it before, but they think now’s the time to enter those international markets because of their robust growth,” says Martijn Steger, who chairs the firm’s international business and mediation practices.

Associate Vinita Bahri-Mehra guides companies who are looking east to India. “They’re asking for more than legal advice on doing business abroad. They want us to step into their shoes and look at their opportunities from a business perspective. I’ve lived in India and practiced law there, so I can help clients work through business, cultural and practical issues. That can make a big difference in their success,” says Mehra, who is among a small group of U.S. attorneys licensed to practice in India.

Foreign companies also are looking for assistance when expanding into the United States. “There’s considerable interest in cross-border trade,” Mehra says.

Kegler found another business opportunity in Zatezalo’s gaming industry expertise—he’s a former chief of the charitable law and consumer frauds and crimes sections of the Ohio Attorney General’s

Office. “Mike’s experience lets us expertly help clients take advantage of Ohio’s new position on gaming,” Steger says.

The firm is now carving out a niche in electronic health care. Zatezalo credits colleague Robert Marotta, who works with WebMD’s parent company and participates in the national eHealth Initiative, for developing this evolving practice area. “We’re addressing privacy laws and handling medical records. We’re also helping



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clients who have technology that could be used in electronic health care,” Zatezalo says.

## Recruiting and Flexibility

“We’re not just sitting back and trying to survive. We want to grow our business,” says Thomas Zaino, Columbus managing member for McDonald Hopkins, which has kept up its recruiting efforts despite the recession.

“Some partners at larger firms are doing well personally. If the firm is suffering, though, their individual income suffers, too. We’re identifying individuals in those

situations and trying to attract them to our firm,” Zaino says. “We’re on target for our budget and are a balanced firm in our practice areas. We think that’s the kind of environment attorneys want to practice in.”

McDonald Hopkins generally bills by the hour, but is willing to adapt to businesses’ needs. “Clients don’t need unpredictable lawyers. They need solid numbers for their budget. We’re flexible and have worked with clients on a flat-fee basis,” Zaino says.

Some lawyers work onsite at clients’ offices to serve as in-house counsel. “Usually the outsourcing is ongoing, because in-house legal work is steady. It’s efficient, in that our attorneys also have access to other attorneys in our firm,” Zaino says. “It’s really no different than outsourcing for IT, human resources or accounting.”

Work has blossomed for the firm’s multistate taxation practice, which defends companies against audits and state and

federal tax issues. “That business over the last 12 months is booming. Government at all levels is getting aggressive about raising revenue without raising taxes. They’re interpreting the law more aggressively than in the past to maximize revenues,” Zaino says.

Like other firms, McDonald Hopkins’ labor and employment lawyers are swamped. “It’s a time of cost control and layoffs. We’re helping clients comply, while not adversely impacting the business and the employees who remain,” Zaino says.

Given the vast number of law firms from which clients can choose, legal services are somewhat of a commodity, and customer service is the differentiating factor, Zaino says: “If clients feel the firm hasn’t provided value to them, the relationship will suffer. When the firm can gain the trust and confidence of their clients and become a partner with them in a business sense, those law firms will prosper in these uncertain times. And so will their clients.” ♦

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