MEYER FEATURED IN LAW FIRM RECESSION OPPORTUNITIES ARTICLE

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John S. Meyer, Jr. was quoted in an article in the October 16, 2009, issue of the St. Louis Business Journal on how "Midsize Law Firms Find Opportunity in Recession."

Midsize law firms find opportunity in recession

By Paul Riat

Like any other service provider, law firms are feeling the passed-along pain of their clients during the economic downturn. But in a strange kind of judo, midsize firms seem to be weathering the storm better than the industry's behemoths or its boutique firms.

What's a midsize firm? It varies depending on the size of the market. In New York, a midsize could employ hundreds of attorneys, but in St. Louis, a firm with 30 or 40 attorneys is generally placed in this category.

As recently as 2007, business publications were predicting that the efficiency of the boutique firm and the economies of scale of the huge firm would squeeze out the middle of the field. But that's not happening right now.

A survey of 550 large companies by Wellesley, Mass.-based BTI Consulting Group found that of the law firms they used, 38 percent were below the nation's 200 highest revenue producing legal firms, compared to 27 percent two years ago.

"I was told several years ago that there was no place for a midsized firm," said Ken Brostron, managing partner of the 50-attorney Lashly & Baer PC. "I didn't agree with that then and still don't. Our net number of lawyers has gone up in the last couple of years."

The U.S. Department of Labor reports that the total number of attorney jobs in the St. Louis area dropped from 11,989 in 2007 to 11,829 in 2008, the latest statistics available. This follows

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a steady rise for years.

Nationwide there are reportedly more than 20,000 unemployed lawyers — most at what would be the associate level. With law schools still pumping out attorneys at their usual rates, any firm in a position to hire is sitting in the catbird seat.

"We brought on three new lawyers this year," said Ruth Binger, partner at the 30-attorney firm Danna McKitrick PC. "There are other firms in St. Louis fighting for survival and not expanding at all."

An annual survey of the nation's biggest firms by American Lawyer shows that the very largest firms are lagging their smaller peers. The 100 biggest firms, ranked by revenue, saw per-attorney revenue decline 1.2 percent in 2008, according to the publication. But the survey's so-called "Second Hundred" firms didn't see a decline, and regional firms and those outside the biggest financial centers even saw a slight increase in revenue, according to the report.

"We are doing great vis-a-vis what's going on in the market," Binger said. "Our sales are flat. I think of that as a win in this economy."

All of the representatives of midsize firms who spoke with the Business Journal reported essentially flat revenue but were quick to add that their larger brethren were not fairing so well.

In fact, many of the largest law firms in the area have made cuts over the past year and a half in order to compensate for reduced work because of the downturn.

Sonnenschein Nath & Rosenthal LLP laid off some attorneys in September after two rounds of layoffs in 2008. In March, Polsinelli Shughart and Stinson Morrison Hecker each let go two St. Louis employees as part of nationwide cuts at the firms. Earlier this year, Bryan Cave laid off 58 attorneys, a 5 percent reduction across the firm, although the number of affected workers in St. Louis was not released.

Midsize firms routinely charge a lower hourly rate than the mega-firms. This was believed to work against them, based on a suspicion that companies' general counsels, most with a litigation background, tend to cover themselves by outsourcing work to large firms, regardless of the hourly rate. A recent Altman Weil survey of chief legal officers showed that the importance of price when hiring outside counsel declines as the importance of the work being done increases.

But when times are tough, saving money by chasing lower hourly rates can be key.

Technology also is leveling the playing field for the midsize law firm.

"We have access to vast law libraries that a small firm could not have afforded 20 years ago," said John Meyer, partner with the 18-lawyer Capes, Sokol, Goodman & Sarachan PC.

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Lawyers working collaboratively for a client no longer need to walk down the hall with a stack of documents.

"Nowadays you can e-mail the documents to a colleague at another firm," Meyer said. He noted that when he did work for Joe Edwards on the Moonrise Hotel, he worked with several professionals at other firms. "It was as seamless as if we were all in the same firm."

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