philly.com

How one Center City law firm blossomed during the 2008 collapse

From left The three partners of the law firm William Mills, Paul Fires, and Jeffrey Segal. September. 26, 2013 (RON TARVER / Staff Photographer)

CHRIS MONDICS, ***INQUIRER STAFF WRITER***

POSTED: FRIDAY, OCTOBER 4, 2013, 2:01 AM

The Inquirer

For many law firms, living through the aftermath of the 2008 financial collapse and the ensuing turmoil among corporate clients has been like the grieving process.

First came denial, the refusal to accept that a once-booming legal market, which had fueled plans for international expansions and dazzling salaries, was imploding as corporate clients slashed legal budgets.

For a while, firms carried partners and practice groups, and followed through on hiring promises. But then came the layoffs, the cancellation of incoming classes of first-year lawyers, and the frantic paring of lease costs and other expenses.

That finally led to acceptance. Revenues have bounced back a bit, and no longer is there a pall of doom hanging over the industry. But among the wise gray heads of the nation's top law firms, the consensus is that the boom years are done and that survival now is a matter of fighting it out with competitors for a shrinking pool of clients, often by discounting rates.

Well, that's the conventional wisdom. But for a handful of small firms, the opposite has turned out to be true, for, if anything, the global financial panic opened doors.

Such has been the case for Weber, Gallagher, a Center City firm that has seen explosive growth since 2007, when it had about 70 lawyers, many focused on its core worker-compensation practice. Since then, the firm has grown more than 55 percent and has built out practice groups such as commercial litigation and medical malpractice.

It has a chief marketing officer and, reflecting the increased complexity of its business, plans to soon hire a chief operating officer, the better to lighten the workload of its three-member management committee.

When "Big Law" began its breathtaking retrenchment in 2008, closing offices and, in the case of a handful of firms, closing for good, Weber carefully recruited lawyers with new expertise and business.

The firm's lower-cost structure enabled lawyers who joined the firm to charge clients lower rates. With 112 lawyers and a presence centered in the Mid-Atlantic, Weber won't be opening offices in Beijing or Brussels any time soon.

Harrisburg and Warren, N.J., are more its style.

But its growth, sometimes at the expense of bigger firms, sets it apart in ways that would be the envy of any business.

"It loosened the bonds at other firms," Weber managing partner Paul Fires said of the impact of the financial crisis on his firm. "We were financially stable, and that was the opportunity."

Fires and a handful of other lawyers from the firm of Rawle & Henderson founded Weber, Gallagher in 1991, in the teeth of another extremely harsh legal recession. The focus initially was defending employers in worker-compensation cases. They left Rawle with one large client - as well as large mortgages and looming tuition bills. Workers' compensation, though not the most lucrative nor the glitziest practice area, provided a steady revenue stream.

Slowly, the group recruited lawyers with additional skills and clients. The firm bolstered its information technology and deepened its business-management team. Fires said that by 2001, the firm's lawyers no longer were collecting receivables, still a practice at some firms. That job was left to administrative staff so lawyers could focus on legal representation.

Fires said the firm focused intently on keeping costs down and rarely used its credit line. For years, the firm had eyed its current location on the 13th floor of a high-rise office building at 2000 Market St., before the cost of a lease dropped enough to become attractive. The firm has since expanded to another floor, using the added space for its business-management and information-technology teams.

By the time the legal recession created by the 2008 financial crisis hit with full force, Fires said, the firm was positioned to compete for lawyers at bigger firms, whose positions suddenly were becoming, if not precarious, more problematic and stressful. Firms still were raising rates, yet the general counsels at most corporate clients were insisting on paying less.

That was the situation of William C. Mills IV, a partner at Weber who joined from Morgan, Lewis & Bockius of Center City, one of the nation's largest firms. A longtime litigator who specialized in defending pharmaceutical companies and medical-device-makers in product liability cases, Mills saw that his clients were looking to reduce legal costs. At the same time, other lawyers at Morgan were being laid off.

Mills jumped to Weber, bringing a major client with him. The first year, that client got a 20 percent discount.

"My clients are paying less, and I am making more money," Mills said happily.

Jeffrey A. Segal, also a partner at Weber, had other motives for joining the firm. His chargeable rate was roughly the same at Rawle as it is now. But Segal, who defends trucking companies in motor-vehicle accidents, was one of a larger practice group. By joining Weber, he got to lead his own practice group and build it out.

"Money was not an issue," Segal said. "I came from a firm where I was part of a group, and now I am in charge of a group."

---

cmondics@phillynews.com

215-854-5957 @cmondics

Chris Mondics

Read more at
http://www.philly.com/philly/business/20131004_How_one_Center_city_law_firm_blossomed_during_the_2008_collapse.html#1IA1XBUpfkpU1y2W.99