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CASE STUDY

**How Morgan
Lewis Grew
Into a**

**Powerhouse
on Its Own
Terms**

MORGAN LEWIS WANTS TO
HANDLE YOUR BIG LEGAL ISSUES.
AND THE SMALLER ONES, TOO.

BY LIZZY MCLELLAN



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MORGAN, LEWIS & BOCKIUS HAS PROVED TO BE A trendsetter when it comes to bringing on large groups of laterals, often taking significant chunks of lawyers from failing law firms, a tactic adopted by several of its Am Law 100 compatriots since Morgan Lewis first did it back in 2003.

But the similarities often end there, with Morgan Lewis eschewing the ever-popular mantra of the Am Law elite, which as a group say they only want to do high-end work for high-end clients. Morgan Lewis has set itself apart when it comes to the type of work its growing roster of attorneys handles, at times sacrificing profitability for deeper relationships with clients.

It was February 2003 when Morgan Lewis brought on 150 lawyers from Brobeck Phleger & Harrison, just a week after abandoning merger talks with the failing 500-lawyer firm. Morgan Lewis immediately opened three new offices in California, in addition to the location it already had in Los Angeles.

That deal seems small in comparison to Morgan Lewis' 2014 acquisition of 750 lawyers and staff, including 227 partners, from Bingham McCutchen. The addition of those lawyers was quickly followed by a combination with 80-lawyer Stamford in Singapore. By the end of 2015, Morgan Lewis' lawyer head count had grown by more than 40 percent. The firm continued to add lawyers, particularly in Asia.

Now, three years after the Bingham and Stamford transactions, Morgan Lewis continues to grow. With 1,943 lawyers spread across 30 offices in North America, Europe and Asia, and more than \$2 billion in revenue in 2017, it now ranks eighth on the Am Law 100.

"We certainly have become much more visible globally," firm chairwoman Jami Wintz McKeon says.

In terms of head count, Morgan Lewis has far surpassed the other law firms founded in Philadelphia. Its largest office is now in Washington, D.C.

Still, looking at global reach, the vast majority of the firm's lawyers—85 percent of them—are located in the United States. Compared with other global law firms of similar size, Morgan Lewis' average profits per equity partner is below the industry average at \$1.37 million.

McKeon says size and profits have never been the driver behind her firm's growth, and she sees the firm as being in a sweet spot now more than ever.

"A lot of firms are now struggling because they are in what I would call a 'no-man's land'" in terms of size, McKeon says, referring to large firms that are not specialized enough to be boutiques but lack the practice mix to offer clients a truly full spectrum of services.



Jami Wintz McKeon,
chair of Morgan Lewis.

The Bingham transaction, she says, "has allowed us to move into a space where size is an advantage."

NATIONAL ASPIRATIONS

Looking back to when McKeon started her career at Morgan Lewis, she says, "The firm had already set its strategy to be national. No one was saying that in 1981."

That decision was an early turning point for the firm, McKeon says, but making it a reality took time. Along the way, each of Morgan Lewis' major additions has opened the door to another.

Morgan Lewis spent 15 years looking for a way to expand its California operations before hiring the group from Brobeck in 2003, McKeon says. She credits that transaction with making the firm truly national.

Morgan Lewis added three Brobeck partners to its advisory board, and McKeon relocated to San Francisco to lead the integration. She created a buddy system to connect each person from Brobeck with another member of the firm.

Over a decade later, the Bingham combination could not have happened without the integration methods Morgan Lewis developed and practiced after its mass hire from Brobeck, McKeon says.

"They did some things not every firm does," law firm consultant Mary K Young, of the Zeughauser Group, says, referring to both the Brobeck and Bingham combinations. "That's one of the best practices in terms of integrating a new group is to have someone from the acquiring firm ... spend time with the acquired group."

And then the Bingham deal opened doors for global growth.



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Just a few months after the Bingham lawyers joined, Morgan Lewis is announced that it would be merging with Stamford, an 80-lawyer firm in Singapore, which would become the firm's Asia headquarters, led by Stamford founding partner Suet-Fern Lee.

"We all know that but for the combination of Bingham and Morgan Lewis together, it probably would have been very difficult to pull off combining with Fern's firm," Grace Speights, head of Morgan Lewis' labor and employment practice, says.

Stamford had been approached by large firms before, but seeing Morgan Lewis' integration strategies in action set it apart from other large firms, Lee says. And she wasn't the only one watching.

Morgan Lewis opened in Shanghai in 2016, taking 23 lawyers from Dentons, and started a Hong Kong office in 2017 after hiring a nine-partner team from Orrick, Herrington & Sutcliffe. Both offices were built on transactional practices.

"It started with Stamford joining, but there's been momentum since then," Lee says.

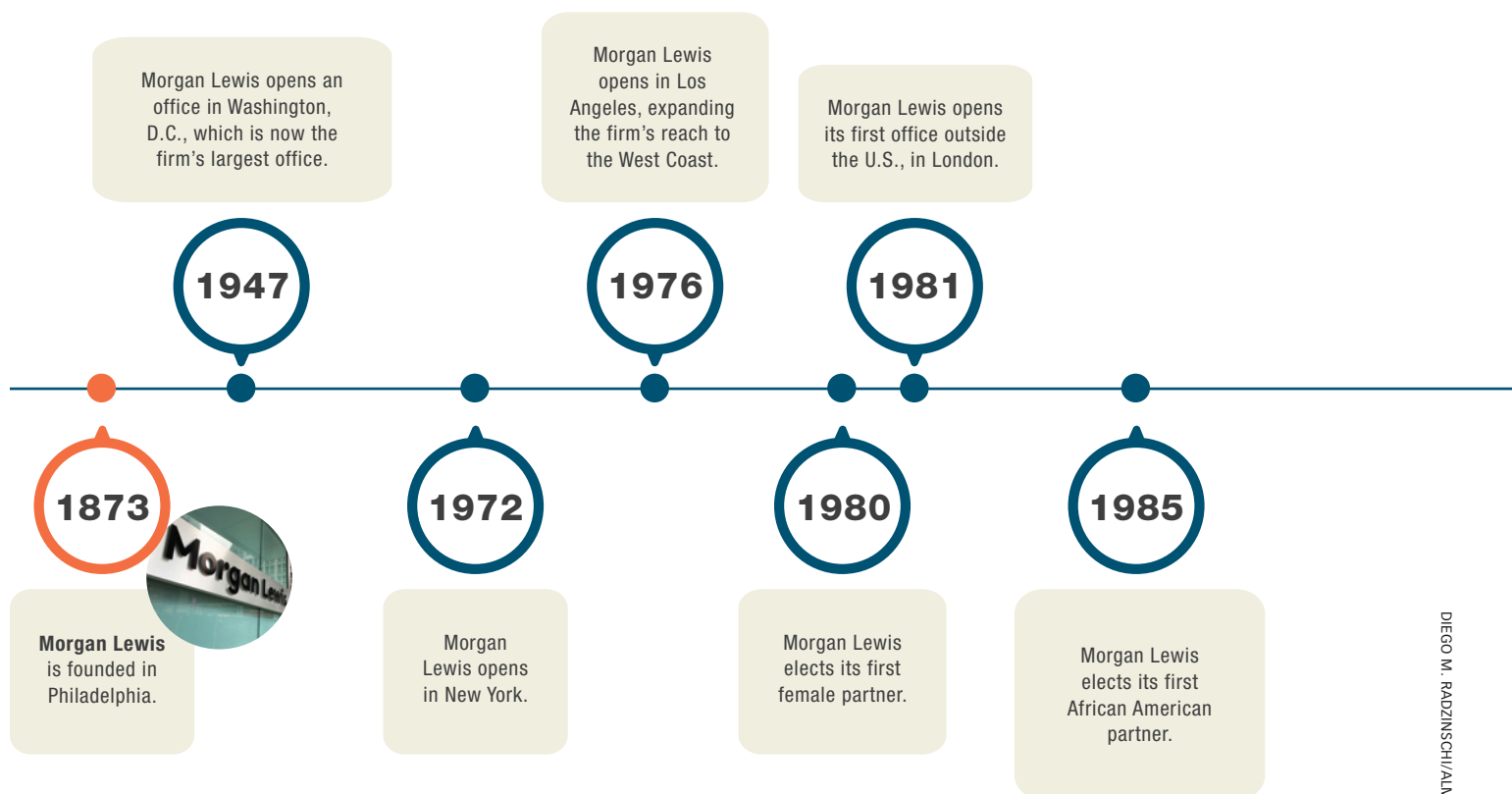
Jim Dragna, an environmental law partner who joined as part of the Bingham deal, says his "antennae were up" when Morgan Lewis appeared poised to take on a large group in Singapore so soon after another major transaction.

"We did that at Bingham and it didn't work out so well," Dragna says, referring to the rapid-fire acquisitions. "Bingham was growing for growth's sake, and I didn't want to repeat that."

But Morgan Lewis was able to pull it off, thanks in part, he says, to what he calls the firm's conservative East Coast roots and a tendency toward ample due diligence.

Indeed, McKeon says, Morgan Lewis pursued the Singapore expansion carefully, considering a number of opportunities there. And in Hong Kong, she says, the firm spent a decade looking for the right group.

The Evolution of a Firm



DIEGO M. RADZINSCH/ALM



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Where Morgan Lewis had offices in 2000

2000



Fran Milone becomes chair of Morgan Lewis and the firm implements a new constitution and compensation structure. Under Milone, the firm will grow to 1,300 lawyers.

Where Morgan Lewis has offices today

2018

Jami Wintz McKeon becomes chair of Morgan Lewis, and the firm makes its biggest acquisition yet, hiring a total of 750 professionals from ailing Bingham McCutchen.

Morgan Lewis adds a team of lawyers in Shanghai.

1999

2014

2016

2003

2015

2017

Morgan Lewis adds 150 lawyers from Brobeck Phleger & Harrison, marking a major expansion in California. The firm also acquires the bulk of insurance boutique Zevnik Horton, leading to new offices in Boston and Chicago.

Morgan Lewis makes entry into Singapore, acquiring 80-lawyer Stamford.

Morgan Lewis opens an office in Hong Kong, bringing on a nine-partner team from Orrick Herrington & Sutcliffe.



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Once the firm found those groups, it was important to firm leadership that they not be seen as satellite offices across the world, McKeon says. Since the Stamford deal, the firm has had three Asia partner meetings, which include firmwide leaders.

Rapid growth doesn't have to be a red flag, Zeughauser's Young says. The key was handling international integration with as much care as domestic growth.

"For a lot of these kinds of market expansions, go big or go home is a good philosophy," Young says.

A RELATIONSHIP FIRM

Morgan Lewis' growth hasn't just been geographic. With each acquisition, it has added to its practice mix. The firm now has four main practice groups, each encompassing 10 to a few dozen more-specialized groups.

In the process, it has adopted a business model that nearly all of its cohorts have abandoned.

"We don't just want to do the elite work for our clients," Speights says. "We want to do all of their business."

And that includes the practice the firm was known for in the beginning: labor and employment. A number of large firms have backed away from similar practices, which aren't known for huge profit margins. But Morgan Lewis' aim, McKeon says, is to be the firm that can handle complex work, as well as "the problems no other big firm will care about."

"There are not many large firms like us who have as strong of a labor and employment practice as we have, or as large a labor and employment practice as we have," Speights says.

Through its recent growth, the firm has added to its transactional practices, from the introduction of corporate partners in Asia to the creation of a global sports industry initiative last year. The firm is doing work now that it could never have done in the '80s, Speights says.

Managing partner Steven Wall says the goal is to be a relationship firm to as many significant corporate entities as possible, which requires coordination between practice areas.

"The intensity of collaboration as a strategy makes our physical investments work," Wall says.

Lee says she found the practice mix attractive when considering a merger with Morgan Lewis, even though it wasn't something Stamford had in common with its larger suitor.

"We were a much more high-end M&A firm," Lee says, "but the reality is we've grown in other areas of practice we weren't so strong in to fit in with Morgan."

The one-stop shop model creates opportunities for niche work,

too. For example, Speights has recently built a task force in the wake of the #MeToo movement, with 30 lawyers across multiple practices focused on assisting clients with issues related to sexual misconduct.

"That's a big-ticket item," Speights says. "I couldn't put that together at a boutique. I couldn't pull that off."

Legal recruiter Bob Nourian, of Coleman Nourian in Philadelphia, pointed to the firm's startup practice as another example. It was spearheaded for years by recently deceased partner Steve Goodman, who was widely seen as a pioneer in the Philadelphia startup community. Goodman worked with numerous emerging businesses "early on, when they maybe couldn't afford Morgan rates," Nourian says, but many of those companies grew into paying clients.

"They do have premium practices that they charge premium rates for ... then they also can maintain practices that are bread-and-butter practices," Nourian said. "It takes work and creativity and understanding, but they've been able to do it."

Hong Kong partner Maurice Hoo, who co-led Orrick's private equity practice before joining Morgan Lewis, said in 2017 that he was drawn to that trait as well. He said his group's clients weren't just asking for IPOs and large mergers, but for help with regulatory questions related to tax, real estate, data privacy and U.S. investments.

"We want to be our clients' counsel, not a hired gun for one project," Hoo told *Asian Lawyer* at the time.

'SECRET SAUCE'

McKeon says the firm has taken advantage of its practice mix thanks in part to a compensation structure that rewards collaboration, which

"We don't just want to do the elite work for our clients," Grace Speights says. "We want to do all of their business."

was implemented in 1999.

"We use phrases that relate to individual accountability to the firm," Wall says. They include the term "responsible partner" rather than billing or originations partner, and "attorney-in-charge," with regard to the person running a particular matter for a client.

Base salary is determined in part by who drives revenue, Wall says, while bonus determination is more focused on collaborative aspects.

That aspect of the firm is "the secret sauce," Wall says. "At some firms, it can fall apart because of who gets the credit," he notes.

Using partner surveys and interviews with practice leaders, the compensation committee considers such factors as partners' roles in



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client relationships, whether they help with matters for which they are not the responsible partner and whether they are seen as a go-to lawyer for their practice area. But McKeon says strategic conversations and decisions don't revolve around which offices or practices bolster the firm's bottom line.

"I would never want to be chair of a firm where people are scribbling on the back of their napkins to see who's more profitable," she says.

Still, the model doesn't work for everyone. One former Morgan Lewis employee, who asked not to be named, says the firm's expansion has created conflicts for certain clients. And the firm's recent investments, the source says, aren't beneficial to lawyers in every practice—namely, those with mostly domestic clients.

From an opposite viewpoint, Lee says she saw a small handful of lawyers leave Morgan Lewis Stamford postmerger because they were accustomed to being part of a firm focused solely on high-end transactions. They didn't want to join such a large firm and broad practice mix.

"To me, it's no more than a function of we had started very small," Lee says. "Some of them romanticize what we used to be."

A GLOBAL FUTURE?

Among firms founded in Philadelphia, Morgan Lewis has long stood out, but much of the firm's brand recognition has come just in the past few years.

Dragna says until he and his partners from Bingham got into talks with Morgan Lewis, he had historically viewed the firm as "a great litigation firm, but an old-school litigation firm in Philadelphia."

That perception changed in 2014, he says, in advance of the mass lateral move. Morgan Lewis was preparing for a leadership change at the time as well, with McKeon set to take over. The more Dragna learned, he says, the more he saw Morgan Lewis as dynamic.

Meanwhile, in Asia in 2014, "nobody knew who Morgan Lewis was at all," Lee says.

That would make sense—the firm had less than a dozen lawyers in Asia before the Stamford combination. But now, with more than 170 Morgan Lewis attorneys on the continent, word is spreading, Lee says.



"We still have a lot of work to do," Lee says, in terms of making Morgan Lewis a household name in Asia. "We're not at nirvana by any means. This is always a work in progress. But the level of commitment leadership has to walk that talk is phenomenal."

Morgan Lewis was ranked eighth on Acritas' U.S. Law Firm Brand Index for 2018. Young says that's one of the best measures for how clients view the firm.

"It's a firm that obviously has grown a lot, has become more truly global," she says.

Dragna said the firm appears to be "entering a sweet spot" with its footprint and reputation. But staying there will take some work, he says.

"The biggest challenge is maintaining the [practice] mix and the lifestyle and the Morgan way of doing business in a rapidly changing business environment," he says.

McKeon says Morgan Lewis will continue to grow, but with a focus on regions where it's already present. And while the firm has seen rapid growth, she says, "we won't become a firm that opens seven offices in a week."

But McKeon and Wall also say they don't see a limit on the firm's size. Morgan Lewis has to be able to continue providing elite service, McKeon says. The firm will be too big when that's no longer possible.

"Size is a huge competitive advantage," she says, "only if you get everything else right."

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