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A photograph of three men in business suits standing in a modern office hallway. The man on the left is wearing a dark suit and a blue and yellow striped tie. The man in the middle is wearing a dark suit and an orange tie. The man on the right is wearing a grey pinstriped suit and a red tie. They are all smiling and looking towards the camera. The hallway has wooden floors and glass doors with metal handles.

Setting up shop

Out-of-town firms open offices in Chicago

Left to right: James Lidbury, from Ropes & Gray; Craig Culbertson, from McGuireWoods; and Chris Wilson, from Perkins Coie



Moving into the neighborhood

By Olivia Clarke

When Richard Chesley and three other partners opened Paul Hastings' Chicago office, they started from scratch.

This meant doing everything from hiring secretaries and getting the IT and mailroom up and functioning, to beginning the process of building the firm's reputation in Chicago and attracting clients and lateral lawyers who fit the office's needs.

Two of the four partners moved into Chicago from outside the state, and needed to quickly adapt to the legal culture. And the new office, which opened in January 2007, faced immediate competition, since many of the firm's nationwide competitors had already opened offices in Chicago.

"It took us a good year to get our foothold," said Chesley, the firm's Chicago office chair. "People have to take you seriously and they have to understand that you are going to be there for the long haul. That takes a lot of time, and a lot of lunches. I gained a lot of weight that first year just to get people to know the firm, know what we do..."

Opening a law office in Chicago takes strategy to recruit the right lawyers, and to form

the right practice areas for the market and the clients. The national firm must welcome that new office into the fold, while still giving it the freedom to develop an identity in Chicago.

Some firms decide to merge with Chicago-based firms, or swallow up a couple of practice areas, while others recruit laterals, and grow the office one lawyer at a time.

In the last 15 years, many national or global firms have opened offices in Chicago. A number of those offices' firm leaders say opening an office comes with challenges, especially during this uncertain economy.

The forecast

Opening a new office in a new legal market comes with its share of hurdles, but add to that a downward spiraling economy and the challenges only grow.

"First of all, the state of the economy makes any prediction more problematic than usual because opening offices can be expensive, especially if you open them without acquiring a local firm," said Joel Henning, senior vice president and head of Hildebrandt International's Chicago office. "It's more expensive to start an independent office and cherry-pick

individual lawyers than it is to acquire a firm or merge with a firm.

"But having said that, I do think we will continue to see the trend accelerate of major national and global firms wanting to locate in Chicago."

For a Chicago office to work, all the practice areas offered in that office must be equal to the quality the firm is known for, and the core practices must be strategically consistent with the firm's overall core practices, Henning said. The new office must be systematically integrated into the firm, and not act as an independent operation.

And the office must be marketed successfully to its existing national clients, as well as any potential local clients, he said.

"A lot of firms, not just in Chicago, but certainly including Chicago firms, have been laying off both associates and partners," Henning said. "The problem is that these firms are not laying off the partners with big books of business. And coming into this city you need a core of movers and shakers, rainmakers. So it's probably no easier to recruit laterally the big rainmakers, but the support lawyers are easier to recruit in this market."



Ropes & Gray, Perkins Coie, and McGuireWoods have all opened offices in Chicago to better serve their clients, and expand their services.

The firm must spend the time recruiting because the wrong recruits can spell disaster for a new office, said Mark Jungers, the partner practice group leader for Major, Lindsey & Africa's Midwest offices.

"One of the challenges is that there is a lot of competition," Jungers said. "Lots of firms are trying to do it. ... I think the opening of a new office is expensive almost no matter who you start with.

"One of the reasons why some firms only like to do it with a merger is, you don't have this lag time for receivables," he said.

"If you are an Am Law 50 law firm, to get people's attention there is a perception that you either have to open up big, either in numbers or big in terms of high-profile people," Jungers said. "No matter what your strategy is, if you don't do that there can be a perception that you failed or that you don't have a good strategy."

He recently wrote in a yet-to-be-published article, "Is Chicago Still Hot?" that there is more lateral partner movement in Chicago than ever before.

"There are two primary reasons new firms

want to come to Chicago and why the market for lateral talent here is so robust," Jungers wrote. "First, Chicago has a large and diverse talent pool as well as some key headquarters. ... Second — and this is true for most major legal markets in the U.S. right now — the amount of change and uncertainty in law firms leads to tremendous opportunities for both lateral partners and firms.

"The recent meltdown in the financial industry and the general downturn in capital markets and the overall economy will only increase the amount of lateral movement at the partner level."

Success in the Chicago legal market requires offices to focus on the right practice areas, hire and retain the right talent pool, and to be conscious of their clients' budgets, said Billie Watkins, Chicago division director of Robert Half Legal.

Litigation, intellectual property, and corporate governance remain hot practice areas, and more lawyers with bankruptcy restructuring expertise will be needed, Watkins said.

"We hear about the job loss reports, and those are real," she said. "But what's amazing

to me is we always see more demand than there is supply for those hot practice areas."

Settling in

In the late 1990s, Richmond, Va.-based McGuireWoods saw one of its large clients move its headquarters from Virginia to Chicago. The client wanted the law firm to have an office in Chicago, so it opened one with about 15 lawyers who primarily handled employee benefits, said Craig R. Culbertson, managing partner of the Chicago office.

A company acquired the client, which meant that it was no longer headquartered in Chicago, so McGuireWoods needed to develop a more full-service office in Chicago. In 2002 it hired about 15 lawyers from Jenner & Block, including Culbertson.

"They needed a general litigation and a general corporate/transactional practice to attract Chicago and Midwest clients," he said. "That's when they brought me in and a number of other people. That basically doubled the size of the office to around 40 attorneys."

The Chicago office then merged with Ross & Hardies, and took its numbers from 40 to



James Lidbury, Ropes & Gray



Craig Culbertson, McGuireWoods



Chris Wilson, Perkins Coie

about 150 lawyers, Culbertson said. The firm then merged with Gordon & Glickson, and the Chicago office grew larger.

“There are a lot of firms coming into Chicago now — very, very good firms,” Culbertson said.

“It’s intense. But it seems to me that a lot of them aren’t really getting the traction in the sense that they aren’t able to achieve critical mass and they are sitting there with much smaller numbers of lawyers, which means they cannot provide the full-service capacity in Chicago that some of the other so called out-of-town firms can.”

Out-of-town law firms like having offices in Chicago because it’s a large, relatively stable business center, he said.

“Chicago stands out in the whole entire Midwest region as the go-to city,” he said. “You have the established Kirklands, Jenners, and Mayers, which have fostered great lawyers and really put Chicago on the legal map, so other firms see that as an opportunity.”

Chicago seemed like an ideal market for Ropes & Gray, a Boston- and New York-based firm, because the firm is ranked nationally in

private equity, said James Lidbury, the Chicago office’s managing partner.

It opened its Chicago office in February 2008, and today has 14 lawyers.

“For us, Chicago looked interesting because it was a market where we did not see a lot of firms in town that had the same strengths that we have,” he said. “Out-of-town firms face significant challenges in trying to articulate to clients what they bring to the market that all other firms can’t do for them better.”

The office focuses on such areas as private equity, hedge fund, and government enforcement litigation, as well as investment management and healthcare, Lidbury said.

“Our approach to the Chicago market is closely focused on a few key strategies,” he said. “We are not focused on building to a certain size in a certain period of time.”

It can be difficult to make a sensible guess about what the world will look like six months down the line, Lidbury said. The firm can’t make plans to serve a market that existed a couple years ago, but may not exist today.

“Chicago, I think, is an interesting legal market,” Lidbury said. “It’s a legal market in

some transition. I think that’s created some opportunities for us. There are an awful lot of good lateral candidates in the marketplace.”

In the 1980s, Barnes & Thornburg was a white-shoe firm — the largest firm in Indiana. But around that time it began asking what the next step should be, said Mark Rust, managing partner of the Chicago office.

The legal business was becoming more competitive and more nationalized, with state boundaries becoming less relevant, and many corporations and banks were moving their headquarters to Chicago, he said.

“From a proactive point of view, we want to be where the action is, and introduce ourselves and our talents to a new client base,” Rust said. “And from a defensive point of view, with clients moving their headquarters to Chicago we didn’t want to expose them to competing firms without being there ourselves. Going to Chicago made a lot of sense.”

The firm opened its Chicago office in 1994 with one lawyer, and today it has about 80.

In the ’90s and 2000, out-of-town offices were something of a novelty, but today many firms open up offices in Chicago, Rust said.

Expansion > feature

“They all want to recruit talent and they all want to grow to 50 or 100 or 200,” he said. “There are just not enough talented lawyers with business for everybody to be able to meet their goals. ... There are some entrants into the market, particularly in the last few years, that will suffer the same fate as has been suffered by a number of firms that have come to Chicago and sputtered for a while and eventually closed up shop.”

In the late '90s, Holland & Knight, then a Florida-based, full-service firm with offices along the east coast, knew that if it wanted to be national it needed a Chicago office.

The firm opened its Chicago office in 2000, after merging with Burke, Weaver & Prell. It then merged in 2002 with McBride, Baker & Coles, and also acquired in 2004 a group of prominent real estate transactional attorneys from what is now DLA Piper. During that time period, the firm also added attorneys from such Chicago-based firms as Altheimer & Gray, and Fox & Grove.

“Not only geographically is Chicago at the crossroads of industries throughout the country, but also economically and politically. Chicago is a key base for launching a national practice,” said Steven Elrod, chairman of the firm’s national land use and government team, who had served as executive partner.

When opening an office, even the location matters, Elrod said. The firm’s Chicago office indicated to the legal community that it was willing to make a substantial investment in Chicago, he said.

“We secured an extremely attractive deal with the ownership of the building at 131 South Dearborn,” he said. “We became the first tenant in the building, and built first-class office space that allowed us to be on par with the leading firms in the city of Chicago.”

The game plan

A firm must be true to itself in terms of the type of lawyers it recruits so it doesn’t lose its identity, said Chesley, from Paul Hastings.

Paul Hastings started in Los Angeles, but its largest office today is in New York. Its Chicago office has grown from 20 lawyers in 2007 to 40 lawyers today.

Two of the partners who relocated to its Chicago office when it first opened came from the firm’s employment and labor practice, and were important to the office’s success because

of the firm’s national reputation in that practice, he said.

“We have collected a tremendous group of partners,” Chesley said. “We have been very careful in the partners we picked up. ... We haven’t brought in anybody who doesn’t fit with what the firm does. We have been really true to ourselves.”

Proskauer Rose opened its Chicago office in April 2008 with three partners, and today has nine lawyers. But it plans to grow. It signed a lease for space for 30 lawyers with the option of more space as it grows, said Steven Gilford, managing partner of the Chicago office.

The firm, which was founded in 1875, opened its original office in New York. It wants to be viewed in Chicago as a major player in the local legal market, he said.

“I don’t think anybody is really that excited about having more competition...,” Gilford said. “There are some Chicago lawyers who are skeptical about why firms are coming here, particularly in this economy. But this is really an important legal market where there are needs for high-quality legal services. I think clients welcome the opportunity to have alternatives in the marketplace.”

Establishing the Proskauer Rose brand in Chicago when so many firms already have a strong legacy can be challenging, he said. But it plans to strengthen its reputation with each case or deal it handles, and with each charitable organization it participates in.

“A lot of lawyers know our firm, but it’s certainly not a household name to every client and law firm,” Gilford said. “[Potential laterals] look at it and say, ‘This sounds great and this is really exciting, but what’s it going to look like a year from now?’ When you are looking to make a change you ask those questions.

“I think you have to identify lawyers that, A, fit in culturally, want to be team players, and want to be part of a group firm effort,” he said. “B, they are people used to practicing at a very high level of excellence. Those are really the two main qualities. We obviously would like to have people with strong, substantial books of business.”

In the old days if a client matter required a Chicago lawyer, Proskauer Rose would associate with a local firm. But it can now provide more seamless service, Gilford said.

“One of the advantages of an office like this

is, we have all the resources and strengths and capacities of a world-class firm, but we are a relatively small office,” he said.

Some firms grow their Chicago offices too rapidly without an existing client base, said Tom Hill, office managing member of Dykema’s Chicago and Lisle offices.

Dykema, which is originally from Detroit, opened an office in Chicago in 1991. The Chicago office is now the firm’s largest office with over 130 lawyers.

“[Certain firms] think they will suddenly attract clients without existing relationships or existing clients,” Hill said. “I think they are going to struggle, especially in this economy. We have not taken an approach of adding lawyers unless there is a strategic reason to do that. ... Firms that don’t sit down and think strategically could face challenges as they move forward.”

Dykema’s strategy included integrating the Chicago office by holding a series of practice group meetings with different offices, as well as creating client service teams that bring the firm’s lawyers together from other offices and practice areas, Hill said.

“I think that we focus on particular areas of expertise within our firm; for example, we have a significant consumer financial services practice both in Chicago and nationwide,” Hill said. “We try to pick out and expand what we do best. In other words, focus on your strengths.”

Over the last six years, Perkin Coie’s Chicago office has grown from three lawyers to between 75 and 80 lawyers through the acquisition of lateral lawyers, said Chris Wilson, office managing partner. Perkins Coie began in Seattle in 1912.

“The most important thing is to recruit lawyers who are committed to building the office and raising the profile of the firm,” Wilson said.

It takes a tremendous amount of time on top of handling clients’ matters to attend events and recruit laterals that will help raise the firm’s profile in the Chicago market, he said.

“The other piece is when you do recruit people you have to work very hard so they are not just integrated into the Chicago office, but get to know people in the firm nationally so they can create synergies among other parts of the firm,” Wilson said. “It’s working

between offices, and between practice groups that really creates the fabric that holds a firm together.

“We are not opening a boutique in Chicago, we are opening a part of Perkins Coie, so you want to let people know that the other parts of the firm are there to support them.”

The majority of the work in the Chicago office originates from the Chicago partners, but the office also imports and exports work to other offices in the firm, Wilson said.

“Literally every lateral partner who met with us has been aware of our culture and reputation for collegiality,” he said. “We did not merge with any firms. We wanted to create our own identity and our own firm culture and not adopt someone else’s.”

Rust, from Barnes & Thornburg, said the worst thing a firm can do is to treat that office as a remote site established for profit, but not linked into the core governance.

“Every bad thing that can happen flows from that dynamic, and you see it happening all the time,” he said. “I am particularly able to see it happen because I sometimes talk to

lawyers who are reentering the market because they made the mistake of going to an office like that. They don’t have a complaint with the firm, just their existence in that particular office is lonely and disconnected from the rest of the firm and they do not really feel like a partner.”

Culbertson, from McGuireWoods, said he doesn’t believe a Chicago office can be effectively organized exclusively with lawyers from outside the city because it’s a relationship-oriented town.

An advantage exists to handling the matter in Chicago rather than fronting it in Chicago and sending it somewhere else, he said.

Attracting legal talent can be challenging because really good people are generally ensconced in their firms, and it can be difficult to hire them away, said David Clough, managing partner of Howrey’s Chicago office, which opened in 2001.

Howrey was founded in 1956 with the opening of its Washington, D.C., office.

“First-class, high-quality lawyers that move from first-class firms tend to do so because

there may be structural changes in their firms,” Clough said. “They may be unhappy with their firm culture. They may see a business model that’s more attractive to them.”

A Chicago office becomes more established once it builds its name recognition, and recruits a couple of star lawyers, Clough said. But both goals do not always occur easily.

“When we hire people, we’re very picky,” Clough said. “They have to bring in substantial business. We are not starting from scratch, and we are not a charity. We need you to continue to build your business around here on a local level in Chicago, as well as on a national level with Howrey.

“One of the things we do here is, we’re very, very active in the Chicago community. A number of us participate on various boards for charitable organizations. We do a significant amount of pro bono activity. We give back to the community. ... You really need to be part of the community. That means not only spending time, but spending money in support of these organizations, and we’ve been very committed to doing that.” ■