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Solos & Small Firms



THE LAW OFFICE of Michael C. Rakower increased its billable hours by 50 percent during 2008. The four-lawyer commercial litigation and white-collar defense firm is comprised of, seated, from left, **Nathaniel Burney** and **Michael C. Rakower**, and, standing, from left, **David E. Miller** and **Harvey Stuart**.

Sailing Through Turbulent Times

Economic Crisis Provides Business Boom for Some Small Firms

BY THOMAS ADCOCK

DAVID E. Danovitch says the question he and other small-firm attorneys who seem to be sailing through the worst economic crisis in decades would be “foolish not to ask” is this: “Why is my practice growing while everything around me implodes?”

Mr. Danovitch, a partner at Gersten Savage, said his firm’s 9 percent boost in revenues since October is healthy enough for what he termed “baby-step” expansion of its 21-lawyer roster.

Gersten Savage, which engages in litigation, corporate and tax law, intends to open a satellite office in mainland China for its recently hired attorney who handles matters for existing clients interested in Asian opportunities. Further, the firm is looking to recruit associates to handle employment law matters.

Gersten Savage is not alone.

In the last few months, “when you would think that maybe some of your clients would say, ‘Let’s hold off on this thing or that thing,’ it just hasn’t

happened,” said Havona Madama, of the three-lawyer Manhattan business boutique Madama Griffiths O’Hara, which she said has enjoyed a nearly 20 percent increase in business throughout 2008.

Much of that growth, she said, has come by way of ex-Wall Streeters who see the zeitgeist as conducive to long-range entrepreneurial plans, mainly in Internet-based technology and consultive services.

“Not everybody who got a pink slip is broke,” said Ms. Madama. “A

lot of [investment bankers and stock brokers] have been putting money away for businesses they planned to start some day. And now they figure, 'OK, it's going to be hard to get another job. So why not start my business now?'"

In which case, Ms. Madama said, a small firm like hers is best suited to entrepreneurs needing "good business lawyers who think about the business first and not so much about making as much in fees as possible, which means making good early hires and avoiding litigation potential with arbitration clauses in contracts to solve problems quickly, quietly and inexpensively."

Five years ago, Michael C. Rakower left Latham & Watkins to explore other options.

This month, The Law Office of Michael C. Rakower boasts four attorneys, himself included. He said his practice—commercial and civil rights litigation as well as white-collar criminal defense—grew by 50 percent more billable hours in the past year.

"I don't know the reason, but I'm thrilled to say that," said Mr. Rakower, who received the New York State Bar Association's Outstanding Young Lawyer Award in 2006. "There's no magic bullet. All I know is that I worked my tail off for four years, and I think you reap what you sow."

He said the formula for succeeding and growing is simple.

"I tried to get my name out there. Then when I did, I proved that I could handle certain matters and I got more clients," said Mr. Rakower. "I did well by them, and then I told people how I did well by them."

Mr. Danovitch tied the poor economy directly to his firm's increased business, along with executive ineptitude and criminality in certain cases.

"There certainly seems to be more [legal clean-up] work," he said. "There's a lot of restructuring now. There are firms hemorrhaging and struggling. They're going to need assistance to wind down in a professional and logical manner."

Business firms that manage to overcome the downturn, or at least tread water, said Mr. Danovitch, want to execute merger and acquisition deals quickly. The reasoning among his clients, he said, is "even though my stock isn't anywhere near where I want it to be, my competition is worse."

He added, "There's a lot of smoke right now, but I don't know that we've found the fire. I don't have the sense that this

[downturn] is really going to be long-term. Am I happy we're growing in this environment? Absolutely, it's great. But our celebration is muted. We don't know what's coming next."

Luckily, he noted, a small law firm expands and exists conservatively, "sometimes just month by month," managing both to avoid big mistakes and big overhead.

Luckily, too, Mr. Danovitch said, clients "stick with you through thick and thin so long as they're happy with your work."

Large-Firm Clients

To some extent, even small firms as venerable as Gersten Savage, established more than three decades ago, may benefit in economic hard times by attracting financially hard-pressed clients from Manhattan's big firms.

While the hourly rate for a large-firm partner could run to \$900 or \$1,000, said Ms. Madama, her own hourly charge for comparable work would run about half.

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In the context of such figures, she said, her firm intends this year to "basically go out and poach the smaller clients from the bigger firms and remind them that they can save a lot of money."

She added, "It would seem antithetical to think you should invest time and money in advertising when things are bad, but that's exactly what we're going to do."

Beyond paid notices in trade journals, Ms. Madama said she and her colleagues plan to devote funds to direct mail campaigns and will seek appointments with in-house general counsels at small to medium business firms.

Like Ms. Madama, Mr. Rakower noted cost savings to large-firm clients who would switch to his or other small firms for their needs. Mr. Rakower said his firm bills at 40 percent to 50 percent less per hour than partner rates at large firms.

"We're already seeing higher value appellate cases come our way, cases that aren't document-intensive," he said.

Legal specialization can help weather a small firm from a national economic storm, according to Jeffrey G. Steinberg,

even if not a guaranteed recession-proof business strategy.

Mr. Steinberg, of White Plains-based Steinberg & Cavaliere, said his niche practice of professional liability litigation and insurance coverage serves his seven-lawyer firm well in an environment where "probably more people than usual bring suit against their lawyers."

"If you look at the last 40 professional liability decisions in the state, probably 38 of them are cases my firm is involved with," said Mr. Steinberg. "We have an established expertise. We're not affected by the economic downturn. There's a steady stream of work for us. We do OK."

Looking ahead, he said, "This economic market has instability problems, which is not something that's bad for me. In fact, it's probably going to mean more litigation."

Attorney Ari Kaplan, a law firm consultant and the author of "The Opportunity Maker: Strategies for Inspiring Your Legal Career," said small-firm attorneys should spend more time "becoming business partners" with their clients "rather than just problem solvers."

Lawyers should also consider deeper relationships with clients and the exponential value of knowing them beyond business at hand.

"A good lawyer should spend time learning about his client," said Mr. Kaplan. "What are my client's motivations? How does his business impact his industry, or his community? Does my client have aspirations beyond his particular business—political aspirations, for instance?"

He added, "Then the good lawyer can call his client and say, 'I think you might need to meet so-and-so.' That's thinking of your client as an individual, not just a business prospect."

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