

## Is Benesch's Lateral-Focused Strategy Paying Off?

By **Emma Cueto**

Law360 (April 23, 2021, 4:39 PM EDT) -- In contrast to the yearslong trend of law firm mergers, Ohio-based Benesch Friedlander Coplan & Aronoff has chosen to pursue a growth strategy focused on aggressively recruiting laterals, making more than 70 such hires since the start of 2019 in an approach observers call both impressive and risky.

Over the past two years, the firm has expanded its geographic footprint, opening an office in San Francisco in 2019 and bulking up its Chicago office, which opened in 2015. Its total official headcount has risen by a modest amount, to 278 from 260 in January 2019.

Benesch told Law360 Pulse it has every intention to continue growing — and to do so without mergers.

Industry experts said the firm's results so far are impressive and promising, but that the strategy is not without potential downsides.

"Growing through laterals has a high degree of risk to it," said Michael Rynowecer, president of BTI Consulting Group. "They can be very successful, but ... it's a harder task."

Experts said that as a midsize firm, Benesch has seen a truly surprising number of laterals in recent years. Since the start of 2019, it has added 22 lateral partners, plus an additional 50 attorneys as either associates or of counsel. Almost 30 have joined Benesch's litigation group, though the firm's corporate and health care practices have also seen double-digit additions.

By far the most dramatic growth at the firm has been in its Chicago office. The office opened in 2015 with two attorneys; today, it boasts about 75, including 36 partners. That growth has primarily come through lateral recruiting, with the firm adding 35 laterals in the city since the start of 2019.

"For a firm their size, it's striking to see 70 laterals" in two years, said Peter Zeughauser of consulting firm the Zeughauser Group.

It's all the more noteworthy given that the trend in recent years has been for law firms looking to grow to do so through mergers. The pace of firm mergers slowed in 2020 during the pandemic but has shown signs of picking back up this year, including the recent news that Holland & Knight LLP and Thompson & Knight LLP are **in talks to combine**.

The merger strategy has also been favored by many of Benesch's fellow Midwestern firms. In 2020, for instance, Lathrop Gage and Gray Plant Mooty **combined** into the 350-attorney Lathrop GPM. But so far, Benesch has not chosen to go that route.

Gregg Eisenberg, Benesch's managing partner, told Law360 Pulse that around the time he stepped into the top job in 2015, the firm realized it was seeing a lot of its competitors merge with other firms and decided it needed to find a different option.

"We wanted to grow our way, in a strategic fashion," he said. "We love our culture at Benesch. It's a family atmosphere. ... We wanted to grow our firm, but we wanted to build on the culture we have, keep it the way we want to keep it, bring in the people we want to bring in."

The firm has stayed focused and disciplined in pursuing that goal, he said, seeking out attorneys who

are team players and whose practices truly fit with the firm.

Chris Batz, president of the Midwest recruiting outfit the Lion Group, said Benesch's growth and its ability to sustain its pace of lateral recruitment speaks to a vision and to strong leadership.

"There's someone at the helm willing to take some risks," he said.

And experts agreed that, despite the striking numbers, there are indeed risks to the firm's lateral-focused strategy.

The most significant is the possibility that many of the attorneys who join the firm won't stay. Industry research is inconsistent, but generally places the attrition rate for law firm laterals at somewhere between 20% and 50%. And every attorney who walks back out the door represents a lost investment for the firm — often an expensive one.

"Most firms don't put enough effort into the integration," Rynowecer said. "They put the effort into locating the lateral and then don't have the support systems to ensure the lateral is integrated and leveraged."

But Benesch said it is not ignoring the work needed on that front. The firm said it has invested not only in the recruitment process but also in ensuring that attorneys are well-integrated.

"We give a tremendous amount of opportunity and support to lawyers that join us," Eisenberg said. "Lawyers are risk-averse, [so] making a change is stressful and difficult; I think we do a really good job ... helping lawyers with the transition and integrating them into the firm."

The firm clearly has seen lawyers departing — its headcount has only increased by 18 since early 2019 despite bringing in 72 laterals — but it said most of the attorneys who've left have either retired or jumped to in-house positions.

And it does seem that most attorneys who have come to the firm recently have stayed, at least so far. More than 80% of the laterals the firm announced in 2018 and almost 90% of those announced in 2019 are still with the firm.

However, the risk of future departures remains, and it's common for laterals to continue peeling off over time. Even among attorneys who stay, the firm runs the risk, especially with partners, that they will not be worth the firm's investment and won't bring in the level of business expected.

And even when all goes well, lateral recruiting is still expensive and often very time-consuming for leadership. Eisenberg told Law360 Pulse that recruiting occupies most of his time as managing partner, and he acknowledged it is an intensive process.

Despite the hazards of its strategy, Benesch seems to have found at least some success with it thus far. On top of an increase in headcount in 2020, the firm said it had a strong year financially. It told Law360 Pulse that its gross revenue grew by about 7.5% to \$172.1 million and its profits per partner jumped by 24% to just over \$1 million.

In addition, the growth of the Chicago office has allowed it to establish a significant presence in a top-tier market, something that observers said leaves it in a good place competitively.

"Chicago is a market where you don't want a satellite, you want a critical mass," Batz said. "Because there's plenty of firms there — very good firms — that have critical mass. So to say you have 75 attorneys in the Chicago market ... that's commendable."

The firm also can likely sell itself in that market as having flexible or lower rates, he said.

Zeughauser said being able to grow in Chicago is impressive in and of itself.

"The talent's expensive, and they have a lot of choices," he said. "Chicago is not an easy market to recruit in for an Ohio firm."

Being able to attract 35 laterals there in about two years was a sign that Benesch was able to give attorneys a strong value proposition, Zeughauser said.

The firm indicated that it hopes to replicate similar growth in its San Francisco office, which opened in 2019 and is home to 10 attorneys, three of them partners. All of the attorneys in that office are in the litigation practice.

"I think it makes a lot of sense," Rynowecer said. "San Francisco and Northern California is a strong marketplace. Despite the news about people leaving places like San Francisco, the core economy there is very strong and it has many pockets of growth."

Rynowecer added that he thinks the firm's litigation focus is also likely to pay off, though perhaps not in the way the firm might have originally anticipated. A wave of COVID-19-related litigation hasn't really hit yet, Rynowecer said, but he does expect a sizable one at some point.

Benesch said it plans to stick with its current strategy as it looks to continue expanding in 2021. The current long-term plan, Eisenberg said, is to build to around 325 to 350 attorneys, which he said would likely allow the firm to compete for business — and for talent — while still staying nimble.

"You don't have to be the biggest to do the best work," Eisenberg said.

--Editing by Aaron Pelc.

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