



On this Friday, I'll be traveling to New York to spend the weekend with my son and his family in Sleepy Hollow (Westchester County), celebrating a couple of grandchildren's birthdays. J On the following Monday, I'm going to wander into Manhattan. Tuesday, I'll travel to New Jersey for my testimony on Wednesday as an expert witness in the sale of law practices. On Wednesday, I'll travel to Nashville for a presentation on Friday on topic of selling law practices before AILA, the American Immigration Lawyers Association.

If you're reading this note and are in the geographic areas I've mentioned, please call or write. I'd love to connect with you.

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Some Musings on Dewey LeBoeuf

The Bankruptcy Filing of Dewey & Leboeuf

Well, it's happened again: with its May 28 bankruptcy filing (the largest for any law firm in U.S. history), Dewey & LeBoeuf has gone the way of Howrey, Thelen Reid, Heller Ehrman, Brobeck and so on, back to Finley Kumble a quarter century ago. All these firms, and others besides them, were not, as the saying goes, too big to fail. They all were the products of mergers that had a single idea: Let's grow. Why? To expand, to better serve our clients/customers, to get new clients/customers who can use the services we already provide. Great idea - until it turned out not to be a great idea.

Bigger Law Firms, Less Profitable?

Why is bigger so often not better? A forthcoming book on law firm economics called *Declining Prospects*, by corporate attorney Michael Trotter, suggests a telling answer. As described in a recent issue of [Bloomberg Businessweek](#), the book notes that often the bigger law firms have grown, the less profitable on average they have become. The conclusion is stated clearly by Bloomberg Businessweek: "By bulking up so aggressively, law firms made themselves more vulnerable to economic

What Clients Are Saying:

downturns. Partners at many firms failed to appreciate that all those salaried employees needed to be paid every month, whether or not new business is coming in the door."

Law Practice as a Business

Dewey highlights the unfortunate interplay of bad luck (the Great Recession and unexpected change in our economic health) and poor management (failure to anticipate alternative scenarios). Once again, it is confirmed that law practice is a business. As I've been saying since 1995 when I received the registered mark for The Business of Law®, law practice is a business. Yes, it's a profession AND also a business, a service business. Dewey & LeBoeuf confirms that law is subject to the same economics as every other business and profession.

Dewey's Challenges

Of course, Dewey faced other challenges that were more unique to the law firm model. i) the "bleeding" of lawyers leaving the firm a few at a time until the firm finally began hemorrhaging, ii) unfunded pensions that drained on the firm assets and future revenue, and iii) debt from their expanded lines of credit (more than \$200 million according to press reports). Of course, none of these challenges are fatal in themselves, but they were compounded when the majority of the firm lost confidence in management.

Lack of Effective Management

Dewey did not fail for lack of money or clients. It failed for lack of effective management. Some say the solution is to have public investor ownership of law firms. But it's unlikely that investors or others would have given Dewey more money if they understood the true nature of the firm's economics and governance. Bad business practices are always bad business.

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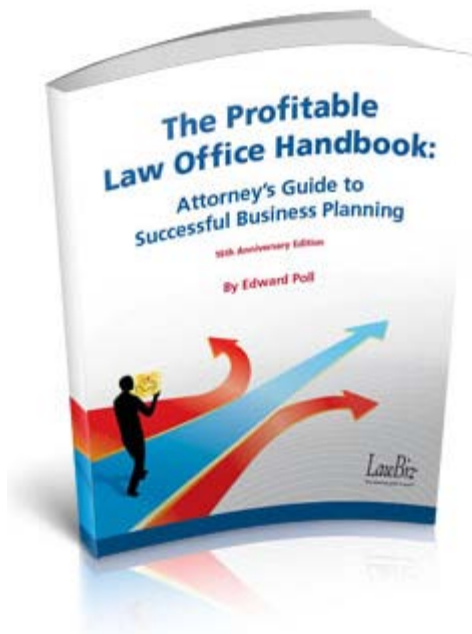
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RA

"I wanted assistance from someone outside the firm: an expert who knew and understood the practice of law, business development and marketing, and law firm dynamics, ethics and politics. I needed someone who knew the practice of law to give me good and solid advice on how to raise my professional profile in the legal community and within the firm and to address challenges associated with working in a law firm environment. Through Ed's invaluable coaching and no-nonsense approach, he enabled me not only to stay employed at the firm, but to make partner and have a future with the firm. Since I began working with Ed, my family has noticed the positive effect on my confidence level, goals, and direction. My wife has been supportive of Ed since Day One."

JM
Los Angeles, CA

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