THE AMERICAN LAWYER
An ALM Publication
americanlawyer.com
July/August 2021

CHANGE FROM THE GROUND UP

To revive flagging demand, Debevoise embarked on a radical journey to reorganize and reorient its future.

BY DYLAN JACKSON

IN THE FALL OF 2012, AS 140 DEBEVOISE & PLIMPTON partners awaited him in the firm's New York office, presiding partner Michael Blair was preparing to make perhaps the most important presentation of his career.

Appointed just the year before, Blair was going to tell those partners that everything was about to change.

He and a team of six other partners had spent several months poring over data and talking with consultants, a process that confirmed what they had suspected: Debevoise had to fundamentally change or risk a slow descent into obscurity.

After decades of steadily increasing demand, the growth many firms took for granted was flattening. For Debevoise, that meant several years of falling demand and revenue that either grew slowly or declined, stretching back to 2005. In 2012, the firm had reached a turning point.

"There were too many lawyers for the amount of work we had because we were set up for an earlier world," Blair says.

Debevoise had to change in order to meet the modern legal industry. Many firms had sought to increase market share and demand by bolting on partner groups and their clients—a strategy that is now seen as the industry standard and gave rise to mega-firms such as Kirkland & Ellis.

But as a pure lockstep firm with no interest in updating its compensation system, that path was unavailable to Debevoise. "We didn't have any interest in going out and hiring lateral partners en masse," Blair says, "because that puts its own threats to our culture."

Blair and his team settled on a different approach. Debevoise attorneys would instead have to create demand the old-fashioned way, by expanding client relationships and drumming up new business.

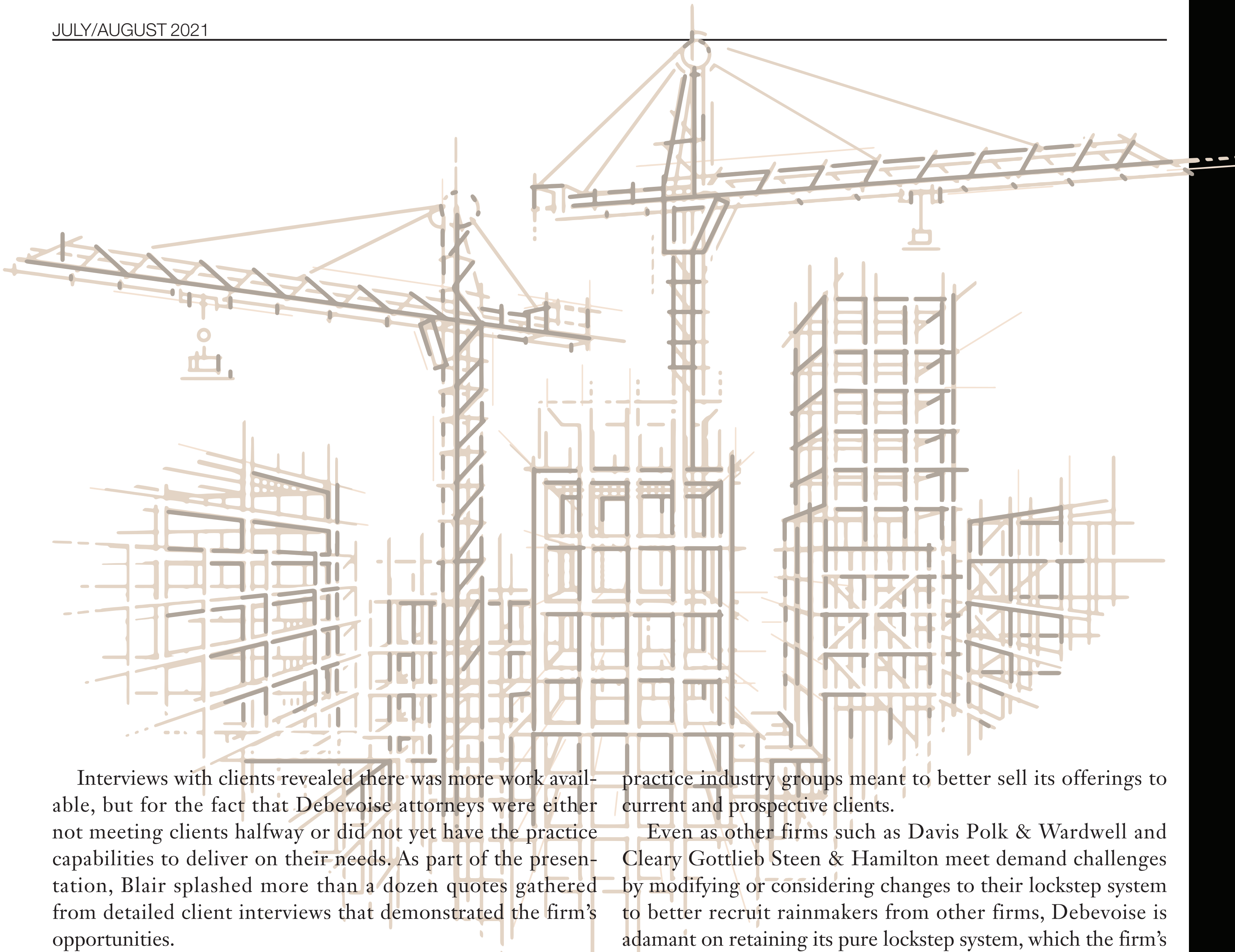
Although it sounded simple enough, this sort of salesmanship was alien to Debevoise, almost gauche. As some in the firm explain it, Debevoise has long been a firm where legal services sell themselves.

There was a prevailing attitude among the firm's lawyers at the time: "We're going to do really great legal work and let the money take care of itself," says Debevoise partner and M&A co-chair Kevin Rinker, quoting firm founder Eli Whitney Debevoise. But the approach of a firm founded in 1931 wasn't meeting the demands of the 21st century legal industry.

"That was the ethos of the firm for a very long time, and led to the creation of an incredibly successful enterprise," Rinker says. "But the world changed a bit ... to the point where we weren't able to wait for the phone to ring."

As he stepped in front of his partners, Blair knew he would have to sell his firm on this new reality.

"There were two things that I realized going into that meeting. One is that we had to have a really strong analytic case that could withstand the skeptical questioning of 140 really smart partners," Blair says. "The second part was, OK, now all of us, the partnership, 140 partners in the room, we have to change, and we have to change notwithstanding the fact that life feels really busy for us."



Interviews with clients revealed there was more work available, but for the fact that Debevoise attorneys were either not meeting clients halfway or did not yet have the practice capabilities to deliver on their needs. As part of the presentation, Blair splashed more than a dozen quotes gathered from detailed client interviews that demonstrated the firm's opportunities.

Blair knew what was needed, but still he was nervous during the presentation. The firm's annual meetings were traditionally focused on partnership elections, not sweeping mandates. He could tell the partners were engaged, but also that many felt threatened by what he was proposing.

For those at the meeting, the gravity of what Blair was proposing was apparent.

"You can't really uncouple being able to maintain a firm like ours, a lockstep firm, from financial performance," says Mark Goodman, co-chair of Debevoise's commercial litigation group. "On some level, we didn't have a choice. We had to shift into a higher gear in order to protect and maintain the many qualities that brought us into the firm."

And so the partners agreed to set forth on a new path, one that would touch on nearly every aspect of the firm and radically alter its moribund trajectory.

NEW STREAMS TO SWIM IN

To address sluggish demand and revenue growth, Debevoise bolstered its marketing department and formed new cross-practice industry groups meant to better sell its offerings to current and prospective clients.

Even as other firms such as Davis Polk & Wardwell and Cleary Gottlieb Steen & Hamilton meet demand challenges by modifying or considering changes to their lockstep system to better recruit rainmakers from other firms, Debevoise is adamant on retaining its pure lockstep system, which the firm's partners see as crucial to its culture.

But lockstep has its advantages. For one, the lack of origination credit and other subjective measures allow for greater collaboration among attorneys, partners say. Debevoise focused on this advantage in its new plan.

Each industry group was tasked with meeting regularly and identifying opportunities to expand client relationships and cross-sell matters among firm attorneys. Every eight weeks, they shared their progress with the management committee. While this new mandate applied to all of the firm's practices, including marquee groups such as white collar and banking, a key part of the strategy was the development of new practices—and revenue streams.

The firm's health care and life science industry group, for example, formed in the wake of the 2012 meeting, was created to incorporate both transactional and litigation attorneys. Litigation partners Goodman and Maura Monaghan and corporate partners Rinker and Andrew Bab, some of whom had handled a few matters for clients such as Johnson & Johnson and GlaxoSmithKline but were otherwise not

DEBEVOISE PRESIDING PARTNER MICHAEL BLAIR.

health care attorneys, met shortly after the meeting as the founding members of the new group. The group drafted lists of current and prospective clients and looked for ways to collaborate. Once the group was formed, attorneys from other parts of the firm would funnel their work toward the four partners.

Because of the firm's pure lockstep system, there was little in the way of systemic barriers to this form of cross-selling, allowing partners more runway to court clients without the risk of losing out on compensation, they say.

"We had a client who was in litigation and kept getting into difficult disputes because their contracts were one-sided against them," Monaghan says. "We finally, in exasperation, said, 'You need better contracts. We can litigate you out of each hole, but you need a better team writing your contracts.' And they became a client on the corporate side."

As the group evolved, parlaying its experience into bigger clients and more complex matters, it expanded to include antitrust, intellectual property and white-collar work.

"Because we were bringing them into our matters, they were getting more and more at-bats. They were learning from each of those situations," Rinker says. "Their experience was increasing exponentially."

THE RIGHT THINGS, POORLY

Although it seems simple enough—go out and get clients—maintaining the sort of discipline needed to pull off such a feat in a law firm is not. A year after Blair reoriented the firm, the partners met once again in New York. This time, he had bad news: Demand had again declined 1%.

It was a blow to Blair and the firm, given all of the social capital that went into pushing the partnership to change. Revenue grew less than 2%, from $675.5 million to $688 million. Head count fell by 20 attorneys to 595.

"If you had asked me in 2012 how long it would take to get meaningful results," Blair says, "I expected that it would happen faster."

The challenge wasn't selling and marketing, but rather cementing the processes that would allow the firm to expand its clients. That would take time.

"It was kind of tough that we didn't achieve improvement in 2013," Blair says. "As I stood in front of the partnership in various meetings asking them to continue to do things they found difficult and awkward, it would have been nice to have results to show them."

Lawyers by nature are conservative creatures and resistant to change, says Harvard Law professor Scott Westfahl, who occasionally works with Debevoise. And, as Blair himself admits, the process was awkward for those involved.

"Simply providing data and the benefits of collaboration and cross-selling isn't enough to move partners to do things differently," Westfahl says. "Creating a learning environment where you're having discussions and you are collectively gaining buy-in toward change—that takes a lot more time."

Take, for example, the firm's recruiting team. Addressing the demand crisis was only one piece of the firm's modernization. The legal industry was also changing in another important way. The rise of rapidly growing merit-based firms encouraged more partners to enter the lateral market. For lockstep firms, this presented a potential problem and raised an important question.

"How do they maintain such a sticky culture or partnership with lockstep when it takes young partners so long to move up, especially when a firm like Kirkland or Latham can come along and say, 'Hey, you can make a lot more money younger if you join us," legal consultant Peter Zeughauser says.

To address that issue, the firm launched a new talent initiative in 2016 in an effort to distinguish it as a destination for young lawyers who prioritized talent development. The initiative's founders—Maeve O'Connor, chair of Debevoise's insurance litigation practice and co-chair of its securities litigation practice, London corporate partner Alan Davies and Nicole Levin Mesard, hiring committee chair and corporate department deputy chair—wanted to create a culture where the firm's associates would feel they were heard, and where they would receive constant feedback on their performance. At the time of its launch, only 23% of partners were completing their written associate evaluations on time and informal feedback wasn't ingrained into the partnership.

Even with a new program and mandate, improving the numbers took several years and thousands of emails pestering and reminding individual partners.

"We were sending out emails weekly to every lawyer at the firm that said very simple things like, 'How many times did you give feedback today?'" Davies says.

Today, the firm has a nearly 100% on-time completion rate on written associate feedback. Davies recalls the lengths that


MARK GOODMAN AND MAURA MONAGHAN, CO-CHAIRS OF DEBEVOISE'S COMMERCIAL LITIGATION GROUP.

partners now go to in order to complete feedback on time, including one partner signing off from a city bus in Thailand to meet the deadline.

This is what it took to change the firm—thousands of interactions at the individual and practice group levels, reiterating the new direction and expectations.

After the firm's disappointing 2013 results, Blair brought in Harvard Business School professor Tom DeLong to make sense of the middling performance. As Blair recalls, he shared some sage words with the partners: "When an organization is changing, it doesn't go from doing the wrong things to doing the right things well. It goes from doing the wrong things to doing the right things poorly."

With the right plan in place, the firm was ready to begin doing the right things well.

'THE DAM BROKE'

In 2014, the firm began seeing the fruits of its labor. For the first time since 2005, Debevoise posted a 1% increase in demand. Even still, revenue increases remained in the single digits until 2017, when demand spiked 11% and the firm finally began reaping what it had sown. Heading into 2021, demand at the firm had grown 38% since 2016.

"At a certain point, it just took off," Blair says. "It was like the dam broke. We figured it out, and we got a really spectacular accomplishment."

Between 2014 and 2020, Debevoise grew revenue 78%, from $688 million to $1.2 billion. Profits per equity partner rose 91%, from $2,380,000 to $4,554,000. Meanwhile, the firm's Am Law 100 ranking ascended from No. 41 to No. 31 and its PEP ranking from 20th to 10th.

The firm's nascent health care and life sciences group, formed at the outset of the new strategic plan, swelled to roughly 60 total attorneys and doubled its revenue between 2016 and 2020, the firm says. Its technology practice—once a small fraction of the firm's overall portfolio—quadrupled in revenue over that time period.

The number of technology clients among the firm's 50 largest clients has doubled as well. As a show of confidence in the firm's continued growth in the space, it opened an office in San Francisco this year—only its third U.S. office, in addition to New York and Washington, D.C.

The firm's marquee practices have also capitalized on the firm's resurgence. Between 2016 and 2020, the firm says, both its banking and private equity practices doubled revenue, and its insurance practice grew revenue 50%.

By nearly all measures, the course Blair and the firm embarked on in 2012, as they stared down a crisis, was a success. Many firms have found ways to thrive over the past decade as the legal industry evolved, but few did it the way Debevoise did.

Blair, a Debevoise lifer who first joined the firm out of law school in 1981, is most proud that the firm didn't have to alter its culture or compensation to find a way forward.

"We effected these changes and really significantly changed the business performance of our firm without eroding the culture at all," he says.

"[Debevoise] is just an incredibly important thing in my life, and I'm a true believer in the Debevoise culture," Blair continues. "And the fact that we were able to successfully meet this challenge while actually improving the culture, that's the thing that's most important to me."

Email: djackson@alm.com