

The Reed Smith Rocket Formula

WHAT A DIFFERENCE a new millennium makes. As 1999 ended, Reed Smith was a Pittsburgh-based regional firm with 510 lawyers pulling in \$165 million annually. They had a solid reputation, but there was trouble on the horizon. Economic growth was soft and their best clients, such as Mellon Bank, were going global – putting them in the cross-hairs of larger firms.

That's when trial lawyer Gregory B. Jordan made a bid for managing partner. "The Rust Belt region wasn't the geographic footprint of the future [and] my position was that we needed to accelerate expansion and become an institution to serve clients better and prosper," he recalls.

Since Jordan's election in 2000, the firm has indeed become an institution - more than doubling in size while expanding to 18 offices around the globe. The firm has also leveraged its business development capability in targeted industries, such as financial services, manufacturing, life sciences, media and technology (see data box on page 2).

Last year, Reed Smith hauled in \$562.5 million, more than tripling their 1999 numbers. In six short years, they've rocketed from 79th to 33rd in the AmLaw 100 gross revenue standings and from 99th to 68th in revenue-per-lawyer while hiking profits per partner from \$335,000 to \$800,000.

Furthermore, with the opening of offices in London, Paris and Munich, Reed Smith has become a global player. They have also positioned themselves to service the growing international shipping and trade industry with a recent deal to merge with 250-lawyer London-based Richards Butler.

Their meteoric rise has caught the attention of other firms too. As one former managing partner of a regional firm says, "Any number of firms would like to be acquired by Reed Smith."

Practitioners and management variously attribute the power of their humming business development engine to:

- A managing partner who is a great communicator and looks to corporations rather than law firms for successful business modeling;
- A culture that fosters self-examination, listening to clients and constant improvement as part of a firm-wide mantra that "quality matters;"
- A group of senior managers and chief officers who are trusted by lawyers to act as a team in driving the firm forward.



Gregory B. Jordan, firmwide Managing Partner; Julia Cline, Director of General Counsel Relations; Michael B. Pollack, Director of Strategic Planning; David S. Egan, Chief Marketing Officer Photo: Tom Gighiotti

Jordan sought out David S. Egan, a former president of Ketchum Advertising (a top 20 international agency) to join the team in the role of Chief Marketing Officer because "David had run a business and could stand up to partners and be accepted." Jordan adds that important cross-selling programs and client feedback programs conducted by the marketing department have succeeded partly because Reed Smith lawyers have largely avoided "an old-style 'keep your hands off my stuff' mentality."

One of Reed Smith's great assets, says Egan, is the sense of mutual trust among professionals. He also asserts that "one of my greatest challenges as we grow is to build on that level of trust." In fact, he says that a major part of his function is to facilitate events and communications that grow the spirit of trust among people inside the firm and with clients outside the firm.

"The spirit of trust starts by example at the top," according to Colleen T. Davies, a products liability defense lawyer in Oakland, California. She says that top management "is not afraid to have others share in developing and guiding the vision for the future."

This shared vision has developed some particularly unique innovations, such as:

- The creation of Reed Smith University, a program for development of lawyers and staff facilitated by the Wharton School of Business

- The institution of perpetual client feedback programs conducted by a veteran lawyer and former corporate executive.

Jordan emphasizes that these programs are providing Reed Smith with leaders who facilitate rapid growth while enhancing the quality of service institutionally. He calls the programs “major initiatives” that will guarantee the “internal development and external feedback” necessary for business expansion. Egan adds that these programs are the foundation for his primary functions of “growing a client-focused culture and building communications” internally and externally.

INTERNAL DEVELOPMENT

Reed Smith University (RSU) is the firm’s biggest commitment to the development of its people, but its ultimate objective is “superior client service,” according to Jordan. “It is a statement that ‘quality matters’ and we’re willing to invest in it... not as the flavor of the month but as a permanent game-changer,” he says.

In fact, it matters so much that Reed Smith spends “well into seven figures” annually on RSU, according to Michael B. Pollack, the director of strategic planning and a dean of RSU. One of the curriculum developers, Pollack notes that the program is modeled on successful businesses.

“There is a paucity of case studies on law firm management, so we look at businesses and other service firms, such as McKinsey and the big accounting firms.”

In partnership with the Executive Education division of Wharton, RSU has developed a year round curriculum focused on leadership, business development, technology, professional support (85 percent of staffers attend classes), and the law.

Jordan stresses the particular importance of schooling in leadership. “Growth can be held back by talented people not knowing how to do their new jobs [as leaders and managers] because they have not had the training,” he says, adding that “you simply don’t learn about leadership in law school.”

Pollack says he learned a big lesson at RSU – successful leaders can’t wait until they have every possible bit of information to make a decision. Noting that lawyers are trained to ask questions and turn over every stone, he recalls that “some people did roll their eyes or scrunch their noses up (in classes) at first, but overall the enthusiasm has been great, especially as they see the benefits.”

“you simply don’t learn about leadership in law school.”

A huge benefit comes at the non-attorney staff level, where solid citizens become “even more competent and adopt a true customer-service mentality in dealing with clients or fellow employees,” says Pollack. “Training in technology also makes people more efficient, so our attorney to staff ratio improves,” he adds.

Mary J. Hackett, a former group leader for financial services litigation, says she has learned from RSU “how important it is to develop all of the people who work on your cases and keep them happy.” She candidly adds that some classes have been a helpful response to training concerns expressed by mid-level associates.

Hackett has also learned “how critical it is to focus on all of the different parts of your business to be successful,” noting that “associate satisfaction, business development and technology support are just some of the many pieces that have to fit together” to produce “a quality service.” Davies agrees, adding that RSU provides training in such diverse areas as record retention, electronic discovery, how to run a meeting, and how to be a better mentor. She thinks that understanding all the parts of a law firm business also enhances teamwork.

The results get noticed by clients, who often lecture at RSU. One CEO told class attendees that RSU was giving him “something that money can’t buy – a law firm full of people who do the work as if it is *their* company at stake on every assignment.”

Fred Leech, practice group leader of the investment management group, says that clients have gladly provided Chief Investment Officers to speak at RSU. “They have really impacted our attorneys by presenting ‘real world’ practical information about the investment process and the industry,” he asserts.

Leech adds that RSU teaches lawyers about the complex regulatory paradigm that overlays the “real world” process. “Our group works in a regulatory area that is intense – with the SEC rules, the Department of Labor rules for ERISA, banking regulations and rules of the stock exchanges all tied together.”

He suggests that new lawyers particularly need “the benefit of a robust training program to move quickly up the learning curve.” “We need bench strength and depth to service clients, and we don’t want to reserve the role of ‘expert’ to a designated pocket of partners,” he says.

REED SMITH UNIVERSITY

STATISTICS

- ▶ **2,138** Reed Smith attorneys and staff have attended at least one RSU class, equalling **90%** of all personnel.
- ▶ **100%** of new associates, **96%** of associates, **86%** of partners, and **85%** of counsel have attended at least one RSU class.
- ▶ To date, approximately **2000** classes have taken place, including **184** in the school of law.

EXTERNAL FEEDBACK AND FOCUS

Reed Smith has enhanced its client service capability through internal development, but has grown its client relationships through systemic external focus and feedback. “Asking clients what they think of you is not brain surgery – it’s really Business 101 on institutionalizing client relationships – except in law firms,” says Jordan.

He describes the Director of General Counsel Relations, Julia Cline, as “a core part of the firm’s operation,” noting that she is totally dedicated to development of client feedback. But

Jordan credits Pollack for having the vision of recruiting Cline, a lawyer and former client with 30 years of experience serving multiple industries, not only as a General Counsel but as COO for one company and business founder of another.

The high-powered Cline could have taken her career in many directions but calls her Reed Smith position “the best opportunity I could imagine to be a true change agent.” She pegs the firm as one of the few “capable of incorporating permanent change based on client feedback,” noting that in her experience “law firms usually go skittering back to the way they’ve always done things when they try to change.”

Cline states that every year all clients who represent \$100,000 of annual revenue get surveys in writing, but roughly 30 targeted clients get personal visits and in-depth interviews. “Recently added large clients might also get interviewed, as well as anyone who requests a personal visit on their annual survey,” she explains.

Hackett says that “Julia always comes back with concrete ideas that we can apply and clients love it.” She points, for example, to a major bank client who implemented an idea hatched from an interview with Cline. Hackett adds that the idea – doing “risk-based analysis” to assist in predicting litigation outcomes for management – has proven to be a great tool for in-house lawyers.

Lawyers also point to clients who have asked Cline for monthly assessments of spending measured against litigation budget forecasts, “up-front” agreements on various “acceptable results” at the outset of significant engagements, or “more thinking about the business side of client issues and the practical solutions to their problems.”

How and why do people open up to her?

“First of all, I make it clear I am not doing this to get more business – it is not even on my horizon – and I’m not there to get an A on our report card,” says Cline, adding that clients respect her in-house experience in retail, health care, insurance and real estate. “The fact of my background is the first signal that quality matters.”

Cline typically draws people out by asking questions such as “What kind of pressures are you under?” and “What would make your life easier?” These questions often open conversations about in-house pressures to control litigation costs or to consolidate work, providing Reed Smith with a sharper understanding of client needs.

The firm also focuses on feedback from outside surveys that measure perceptions of service differences among law firms across the country. The program is obviously working, as Reed Smith has pushed into the top 15 in national perception, beating

REED SMITH BY THE NUMBERS*

REVENUE GROWTH

- ▶ Gross revenue reported for 2006: **\$562.5 MILLION** (an 11.7% increase over prior year)
- ▶ Revenue per lawyer reported for 2006: **\$615,000** (a 7.9% increase over prior year)

NEW MILLENIUM FLASH

ATTORNEYS

2000	510
2006	881 (CURRENTLY 1,330)

GROSS REVENUES (MILLIONS)

2000	\$165.0
2006	\$562.5

REVENUE PER LAWYER

2000	\$325,000
2006	\$615,000

AMLAW 100 RANK*

2000	79	2005	33
------	----	------	----

*AmLaw 100 rank based on revenue per lawyer

Numbers based on actual revenues for 1999 and 2005, reported in the AmLaw 100 in 2000 and 2006.

out blue-chip names like Sullivan & Cromwell and Ropes & Gray, according to the BTI client service survey of in-house professionals.

BUSINESS DEVELOPMENT AND BUILDING TRUST

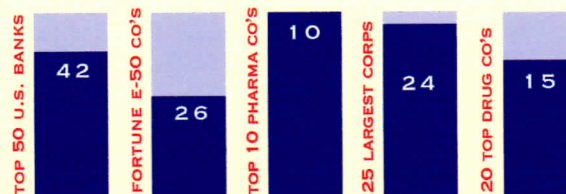
CMO Egan says the firm’s ability to leverage its growing marketing platform is largely a product of nurturing trust and facilitating communication. “I am just a catalyst for connections that need to occur among our lawyers and clients,” he states.

To that end, Egan devotes much of his time to producing events that serve as foundations for intimate connections. The firm sponsors not only seminars aimed at delivering value to clients, but also concerts, museum trips, and cooking programs. This year’s partner retreat also features a talent show with

MOVING ON UP

In recent years, Reed Smith has consistently moved “up market,” attracting blue-chip clients in each of their targeted industries. For example, the firm represents:

- 42** of the top 50 United States banks
- 26** of the Fortune e-50 companies
- 10** of the top 10 pharmaceutical companies
- 50** of the world’s largest drug and medical device manufacturers
- 24** of the world’s 25 largest corporations by revenue
- 15** of the top 20 drug and device manufacturers by revenue



THE REED SMITH SHARE

15 acts competing for prizes.

"All of these events have trust-building themes in them, which are increasingly important with our global growth," he asserts. In fact, Egan credits the successful integration of a major California firm (Crosby, Heafey, Roach & May) in part to trust-building.

"We had a two-day weekend retreat with a kind of speed-dating seminar that forced interactions among lawyers in a fun way," he recalls, adding that "this had a lot to do with our ability to get off to a quick start on cross-selling after the merger." Egan contends that "cross-selling is really not selling at all if you do it right – it's really about understanding, awareness and trust among the lawyers and the clients."

Ian B. Fagelson, a London lawyer and member of the executive committee, affirms the importance of group events. "We log a lot of flying time visiting each other's offices, but [leadership] makes the effort to include all of us in everything." He says the result is "a true institution" that does not act like "a mere referral networking club."

He points to pro bono activities and charitable outreach as two of the most effective ways of bringing people together to build trust. "It beats paying some commercial operation to take us paint-balling in the woods," he says. Fagelson is the catalyst behind the Hope Center event – an annual mountain trek that raises money for children with learning disabilities while bringing lawyers and friends of the firm together from all over the world. This year they will hike the largest peak in Spain, last year's peak was in Transylvania, 2004 was Mt. Olympus (where Jordan's father scaled the mountain), and 2003 was in Iceland.

GROWTH AND MARKETING

Fagelson states that the firm's internal sense of trust has facilitated the construction of a global marketing platform by catalyzing the combination of individual contacts and collective capabilities. This combination has produced more marketing pitches for more complex projects – and more success as well.

"We were retained in a complicated corporate acquisition because we could handle the German, French, British and American aspects of the deal," he notes. Similarly, Reed Smith has recently captured business from international syndications of banks and companies defending products liability suits with international implications.

Egan's marketing group also provides some assistance in facilitating mock "beauty pageants" and "pitch sessions" – often with actual clients for judges – to help lawyers improve their pitch skills. "It's an outdated approach to go into a room with a stack of papers on how fabulous you are... you really have to listen to clients and tailor your approach to each of them," he says.

This focus on "listening" – encouraged in various ways by Egan and enhanced by Cline's work on external feedback – has become a cultural norm that is the foundation for business development at

WEB SITE TRAFFIC (AVERAGES FOR 2006)

Hits/month:	5,404,111
Unique visitors:	48,063
Page views:	1,913,917

Reed Smith. It is now part of the fundamental strategic thinking of group leaders.

Leech points, for example to the investment management group's recent formation of "client councils" to get important feedback from clients. All lawyers in Leech's group are asked to develop their own "client councils" composed of their most valuable and trusted clients. Each client on those councils is then interviewed (separately) by the individual lawyers to learn more about the clients' companies and their industries. The clients are also solicited for feedback on whether each lawyer is meeting quality and service expectations. Those reports are then shared with firm management as well. It is a kind of micro-extension of Cline's work with the top clients of the firm, and Leech says it is just one illustration of "listening" initiatives around the firm.

Jordan similarly credits "listening" for the genesis of a unique venture with a major investment management client. He says that Reed Smith's "acquisition" of the law department for Federated Investors was a deal that arose from "listening to our banking clients, who were increasingly moving into asset management." Since it was hard to acquire top-flight practices in that area, Reed Smith boldly came up with an arrangement that basically provides a predictable legal cost for Federated and a monthly retainer and built-in industry expertise for the firm.

Egan also invests considerable time in constantly enhancing the firm's Web site, pointing out that "it is the most important communications device we have." He notes that a comprehensive Web site is critical not only to external communications, but internal communications as well. "We've noticed that a significant percentage of the traffic is internal and that traffic grows with the firm."

Consistent with Reed Smith's external focus, however, the marketing group constructed the site based on a year-long study on how external users think through content and utilize a site. "We studied how they access biographical data, how they connect to your site, how they navigate for links to other information, and we tried to make it easy for them to access information quickly," says Egan.

Now he is ready to tackle new challenges for 2006: a priority client program to benefit the firm's best clients; a closer look at client relationship management tools; and a brand new ad campaign. The former ad exec says that "general counsels are wary of commercial communications, so advertising aimed at them must be part of a crafted program developed over time." Egan does not want to pre-empt the campaign by giving away details, but hints that "we have a really good story to tell and we'll have plenty to say."