Is Your Firm Among the 13%? Characteristics of the "Superfast" Firms vs the "Superrich"

By LawVision on April 10, 2015

The November 2014 issue of *The American Lawyer* headlined with an engrossing article by Aric Press entitled "BigLaw's Reality Check." In addition to covering critical shifts in the legal landscape, the author singled out elite law firm performers – those with more than $1M in Revenue per Lawyer (RPL) and $2M in Profits per Equity Partner in 2013 – who Press dubbed the "Superrich." In this article, Press demonstrated how these firms are pulling away from the pack. Press's analysis first split the AmLaw 200 into four segments based on 2013 financials – one group each for those above or below the defined RPL and PPEP thresholds – then evaluated how each of these groups, on average, compared to the group's performance in 2008. The Superrich fared very well and better than the other segments.

Yet I couldn't help but feel skeptical, as both a legal industry analyst and someone with a deep-rooted passion to overtake the Goliaths of the world. Years of experience talking to and analyzing client perspectives and law firm performance made me reluctant to believe that the only law firms truly winning in today's marketplace were those bubbling over with cash. It just didn't jive with the market and client feedback. In fact, I felt strongly that quite the opposite was true – that storied, old school firms clinging to cash aren't the ones outpacing the competition and making inroads in today's legal market. So I did what any good analyst would do – I started crunching numbers (with the assistance of my talented team member, Geoff Schuler).

The truth is that the *American Lawyer* article only told half the story. While some elite performers are doing better than the 161 firms that as a group have lower financial metrics (below $1M in RPL and below $2M in PPEP) there are also members of this group – let's call them the "non-Superrich" – that are outpacing their peers (including many of the Superrich) in this changing legal environment.

First, let me point out that none of what I am about to say contradicts Press's main points. The world is still round, the legal market is contracting in real dollars and Superrich firms enjoy distinct advantages simply by being the wealthiest kids on the block. Our analysis just offers an alternative perspective, starting from a different vantage point. This "non-Superrich" analysis posits a different definition of what it means to be successful with an inherent belief that quickly climbing the mountain is equally as exhilarating as basking in the reward of being on top.

Introducing the Superfast

Between 2008 and 2013, against a backdrop of slow- to no growth in demand for legal services, 25 firms not only got consistently bigger, but also got consistently better. Each of these 25 firms met two precise criteria to qualify as one of the designated fastest-growing law firms in our analysis:

1. Revenue growth at a compound annual growth rate (CAGR) of 5% or more – Is the firm growing more quickly (organically or acquisitively) than other firms in a market predicated on taking business from competitors?

2. Increases in profits per equity partner at a CAGR of 5% or more – Is the firm able to translate that increased revenue into higher profitability for the firm's key stakeholders

These were the only two criteria for selection. Yet it quickly became clear to us that this group was unique in many other ways. This group outperformed other firms along not just these but virtually every financial and operational metric. Instead of starting rich and getting richer, they honed their ability to make more out of what they had to outpace the relative growth in their competitors over time. A few of these firms are among the Superrich as defined by Press. The majority, however, are not. As a group, we dub these firms the Superfast.

The Superfast are a sundry mix of regional, national and global firms ranging from fewer than 250 to more than 1,500 attorneys. As a group, the Superfast have:

1. Grown revenue more than 4 times faster, on average, than other AmLaw 200 firms
2. Increased their profits per equity partner over 3 times more quickly
3. Added, on average, 10 times more partners to their ranks, growing equity partner numbers an average of 20% since 2008
4. Boosted overall attorney numbers by 33%, on average, since 2008 (compared to 0% for other AmLaw 200 firms, excluding vereins)

In addition to these impressive growth metrics, the Superfast firms also made strides in numerous other areas including revenue per lawyer, leverage and profit margin.

What Makes the Superfast Unique

1. Almost half of them had under 350 attorneys in 2008
2. 6 undertook sizable mergers or acquisitions, a slightly higher proportion than the remaining AmLaw 200 firms with slower growth
3. 6 are on ALM's list of Top-Gaining Firms for lateral hires from 2008 to 2013
4. As a group, these firms increased by 79 offices with disproportionate growth in markets with lower costs and fewer competitors

In the coming weeks, LawVision will be releasing a whitepaper and offering a webinar to explore more deeply the results of this analysis, including a list of the Superfast firms (not a secret at this point for any other data junkies) and details into our key findings. To be added to the priority list to receive advance notice of availability and registration details, please click here.