



## LA Firms Weathering the Economic Storm

By Liz Jernigan

**If it seems to you like the San Francisco legal market has been much harder hit by our current economic crisis than its Los Angeles counterparts, that's because it has.**

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In an online article published today by the *ABA Journal*, several reasons for the LA firms' stronger foothold in the market are noted, including that "Law firms in Los Angeles were quicker to build national practices than their failed counterparts in San Francisco, a management decision that likely accounts for their survival, legal consultants said." Having a broader, and larger, presence in the market decreases a firm's chances of being disastrously affected by negative events in the economy.

In the last five years, some of San Francisco's major law firms have fallen, with the most recent two succumbing in our current economy's downward spiral— Heller Ehrmann and Thelen. And in 2003, Brobeck, Phleger & Harrison crumbled and the firms of McCutchen, Doyle, Brown & Emerson; Crosby Heafy, Roach & May and Hancock, Rothert & Bunshoft all merged.

With seemingly no one left unaffected by the crisis of today, one might assume that similarly big firms in Southern California would be going under, too. But, *Legal Pad* did some research which proves that just isn't true:

"We looked at California's 40 largest law firms by revenue in 2002 (see list below). All of the 15 biggest L.A. firms by revenue in 2002 remain standing.

From national powerhouses Latham, Gibson, O'Melveny and Paul Hastings, to California-only stalwarts like Irell

& Manella and Munger, Tolles to specialty firms like Allen Matkins and Loeb & Loeb — they're all still here. Even Buchalter Nemer, which seems to have endured some tough times recently, is still kicking.

By contrast, six of San Francisco's biggest 16 are toast, and two of the seven Silicon Valley-based firms — Skjerven Morrill and Gray Cary — are gone."

*Legal Pad* also spoke with Richard Gary, former chairman of Thelen and now of Gary Advisors. He believes that "Los Angeles firms traditionally have been more profitable, which he attributes in part to their historically strong litigation practices."

Certainly the LA firms' more prominent stance throughout the US legal market and the probability they were more strong to begin has something to do with their withstanding the market turmoil, but other factors are sure to exist, too.

*Legal Pad* did voice a theory of their own: "Los Angeles and its law firms were hit especially hard by the 1990-91 recession — remember Latham's 1990 layoffs? — and were forced to take the necessary steps then to ensure financial survival. The Bay Area firms didn't face the same magnitude of challenge until the dot-com bust of 2000-2002."

The theories are interesting, but we'll have to wait and see if the LA firms continue to endure.

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