

PROVIDENCE BUSINESS NEWS

November 28, 2009

Nimble Law Firms Prospering in Downturn

By William Hamilton, PBN Staff Writer



Many of Gary Pannone's colleagues thought he and his partners were acting foolishly.

In the two years since it had been launched, the law firm of Pannone

Lopes & Devereaux LLC had built a strong practice in the heart of Providence's financial district.

Conventional wisdom held that in order to be relevant, a firm focused on business law had to have a presence downtown. But in 2007, the firm relocated to a 13,000-square-foot office in the American Locomotive Works complex in the Valley section of the city.

"It was a big risk," Pannone, the firm's managing partner, says now.

In the end, it paid off. Since moving to the ALCO development, the firm has added about 20 attorneys, including a partner, and its revenue has grown each year. (Pannone declined to say by how much.)

While the move isn't solely responsible for that growth, Pannone says it illustrates the nimbleness that has allowed the firm – now Pannone Lopes Devereaux & West LLC – to flourish in a time when much bigger firms are cutting staff and associates to weather the down economy.

Pannone Lopes Devereaux & West is not the only firm that has done well while the legal staples of big firms – such as corporate transactions, financial services and real estate – have seen steep declines in the last year.

Several smaller local firms report that they've been able to take advantage while larger firms have been distracted with expense-cutting and some clients have migrated to lower-cost firms.

There's no doubt the largest law firms nationwide have taken their lumps in the last 12 months. The National Law Journal says the top 250 firms have cut 5,259 lawyers from their payrolls this year, the largest decline since the Journal started keeping track of employment levels three decades ago.

It's not unusual for the largest firms to have cut their head count by 15 percent over the last year or their employees' pay, according to Allan Tanenbaum, chairman of an American Bar Association commission studying the impact of the economic crisis on the legal world.

At the same time, he has seen smaller firms do quite well because of their ability to shift focus quickly to practice areas that are showing promise.

"They are able to do the work more efficiently, too, which results in lower charges because of lower fixed overhead," Tanenbaum says.

(cont'd next page)

Partridge Snow & Hahn, a mid-size regional firm based in Providence, says that's why it has done better than its larger peers of late.

Instead of laying off associates earlier this year, Managing Partner David Gilden says the firm shifted some attorneys from slower areas such as real estate and corporate transactions to the firm's "creditors' rights" practice and litigation, where the billable hours have picked up.

In fact, the firm has added more space to its Warwick office, where the creditors'-right segment is located. The firm also added a new associate in August.

Michael Sweeney, president of Duffy & Sweeney Ltd., says his firm has made a similar change as its litigation practice has grown more active. "Every time a bubble bursts, broken promises and contracts lead to litigation," Sweeney says.

For his part, Pannone says he learned from his time as executive partner in the Providence office of international law firm Holland & Knight that "the trappings of the big firms are what cause them to be slow-

moving in bad times."

He says lawyers from the large firm strayed little from their practice area, communicating infrequently with lawyers from other practices.

When Holland & Knight decided to close the Providence office and shift work to Boston, Pannone and the three founding partners, he says, decided to venture out on their own.

They applied a business model different from the traditional law firm.

Lawyers in the firm were expected to be able to cross into other disciplines and lend support to colleagues.

The five-year-old firm is preparing to expand its ALCO headquarters, leasing an additional 9,000 square feet of office space. The firm also has offices in New York and Florida.

"We were making plans five years ago for [the downturn]," Pannone says. "We haven't done this by accident."