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CHAIR REGINA PISA SAYS SHE WAS "ELECTED WITH A MANDATE FOR CHANGE."

GOODWIN'S GRAND PLAN

In less than a decade, Goodwin Procter has broken out of its Boston base—and posted some of the strongest revenue growth in The Am Law 100.

BY ROSS TODD

WHEN BOSTON'S GOODWIN PROCTER began courting Jonathan Axelrad in the summer of 2007, the Silicon Valley–based fund formation lawyer was still putting in full days at Wilson Sonsini Goodrich & Rosati, his professional home of 17 years. Axelrad didn't want to talk to Goodwin on Wilson's time, so at night, from home, he traded e-mails with one of the attorneys leading the recruiting effort—Regina Pisa, Goodwin's chair and managing partner. Although it was often 10 P.M. on the West Coast—1 A.M. back East—Axelrad says he received almost instant replies from Pisa. "I'm not just talking about one night. I'm talking night after night," he says.

Axelrad isn't the only one impressed by Pisa's single-minded focus on Goodwin's West Coast expansion. In the past two years the firm has put its competition on notice by luring more than 35 partners in California to its new offices in Century City, San Francisco, San Diego, Los Angeles, and Silicon Valley. The westward expansion caps an impressive growth spurt. Since 2000, Goodwin has more than tripled its gross revenue, from $200 million to $611 million, more than doubled head count, from 400 to 850, and doubled profits per partner, from $755,000 to $1.54 million. It's a rare case of growth without dilution. Goodwin is one of only seven firms to move from the bottom half to the top half of The Am Law 100's revenue per lawyer chart, climbing from number 63 in 2000 to 35 in 2007. Only Dechert and Hogan & Hartson had steeper growth.

PHOTOGRAPHS BY DANA SMITH

Partners credit a strategic plan spearheaded by Pisa for the growth since the turn of the century. The plan, conceptualized at a 2000 partner retreat and put to paper by Pisa and chief marketing officer Anne Malloy Tucker over the next year, set a goal for Goodwin: It would seek to be a top-five national player in four of its longtime strong suits (financial services, private equity, real estate and real estate capital markets, and complex litigation) and two growth practices (technology and intellectual property). These six areas currently account for about 70 percent of Goodwin's revenues.

As the plan was implemented, Pisa says clients told her that if Goodwin wanted to be a truly national player, it needed a presence in California. The firm balanced that mandate with New England frugality: It hasn't taken on any debt while crossing the nation to open offices. Says litigation partner Kenneth Parsigian: "Management came up with a good set of goals, convinced the partnership of those goals, got the flexibility to execute the plan, and then executed the hell out of it."

AS RECENTLY AS THE EARLY NINETIES, Goodwin was among the most inward-looking firms in an insular Boston market. "Goodwin was very proud of the fact it was the largest firm in the United States with a single office," says Paul Gauron, chair of the firm's business department. "Not only that, but on contiguous floor space," adds real estate capital markets chair Gilbert Menna. Founded by a pair of Harvard classmates in 1912, the firm has long-established ties to Boston's mutual fund and financial services industries and clients, including Boston Private Financial Holdings, Inc.; TA Associates, Inc.; and State Street Global Advisors. Goodwin lawyers also played a pivotal role in creation of the modern real estate capital markets by helping draft the 1960 federal law that gave real estate investment trusts tax treatment comparable to that of mutual funds. Today, real estate and real estate capital markets work accounts for close to 20 percent of the firm's total revenues.

THE OLD GOODWIN PRIDED ITSELF ON INSULARITY, SAYS REITS SPECIALIST GILBERT MENNA.

Goodwin opened an office in Washington, D.C., in 1994 and one in New York in 1997, but when Pisa was elected chair in 1998 at age 42, more than 300 of the firm's 386 lawyers were in Boston. Although Goodwin's 1998 profits per partner of $730,000 bested those of all Boston-based rivals, its revenue per lawyer of $470,000 was less than that of then rivals Bingham Dana, Hale and Door, and Testa, Hurwitz & Thibeault, as well as market leader Ropes & Gray's $615,000.

"I was told by my partners I was elected with a mandate for change," says Pisa, whose father was an Italian immigrant. "I don't think they knew what they were talking about." Menna, who was a member of the subgroup of the firm's executive committee that tapped Pisa for the job, says she "was seen as a change agent by those who wanted a change agent, and as stability for those who wanted stability."

In spite of the firm's relative strength and comfort in Boston, Pisa—who, as a member of the firm's financial services practice, had counseled clients through a wave of consolidation—says that the status quo was not an option. In an increasingly national legal market, she says, "there was no clear future for a firm dominant in one market only."

Goodwin was already on the road to running more like a business. In 1996 the firm hired chief operating officer Arthur Greenberg, a former chief financial officer at Hale and Dorr. Other C-level talent with experience in the professional services industry followed. Chief information officer Peter Lane had spent more than a decade as IT director at Choate Hall & Stewart before joining in 1999, and chief marketing officer Malloy Tucker had been national director of field marketing at KPMG L.L.P. before arriving that same year. "Our rule is, if a nonlawyer can do the job as well as you can, you have to give it up," Pisa says.

Early in Pisa's tenure the firm started taking market surveys seriously. "When we started, the market said to us, 'Goodwin who?' " Pisa says. The strategic plan, laid out in 2001, attempted to tell the market more precisely how the firm should be viewed. Goodwin focused 70 percent of its marketing resources in the six areas it had decided to emphasize, with much of the rest reserved for essential adjunct practices like ERISA and tax.

By adding the two growth practices (technology and intellectual property) to the four core areas where the firm already had a presence, Goodwin hoped to balance its practice mix, Pisa says. It also wanted to benefit from a halo effect. If you do two or three things well, Pisa says, the market will assume that you can do four or five. And the new practices have grown: The technology practice helped lead the firm's push into Silicon Valley and the IP department has gone from about ten litigators in 2000 to 150 lawyers today, handling litigation, patent prosecution, and IP transactions.

As a part of the initial strategic plan, Goodwin partners adopted a new set of principles to guide the way compensation was structured at the firm. The goal was to create incentives for partners to share work. The compensation system had been a retrospective process with about 40 percent of partners' draw reserved for year-end bonuses. In the revised structure, which debuted in 2002, the firm takes into account how much revenue a partner is "around," rather than focusing only on origination. Partners contributing to a matter—be they part of the team that brought in the business, the partner who supervised the legal work, or a tax partner who was instrumental to getting a particular deal done—are all credited for their work. Nonfinancial contributions, such as mentoring or management responsibilities, are also taken into account.

In early 2003 the firm formed a task force to revamp its organizational structure. Rather than focusing on the traditional corporate and litigation departments, Goodwin reorganized itself around the six practices emphasized in the strategic plan; the idea was to get firm leaders more industry-focused. At one task force meeting, marketing chief Malloy Tucker suggested putting together an organization chart. "People were aghast," she says. Goodwin had prided itself on its relatively flat structure; an organization chart seemed to run counter to the meritocracy the firm had always striven to be. But the restructuring task force unveiled its work at a partner retreat in January 2004, organization charts and all. Partners say the restructuring has made practice leaders better able to respond to clients and the marketplace while freeing up the firm's department heads—business-side chair Paul Gauron and litigation chair Paul Ware, Jr.—to focus on strategy.

One of Pisa's early large-scale moves outside Boston happened before the strategic plan was fully formulated—and it proved to be a misstep. Goodwin picked up 27 lawyers from the technology and intellectual property practices of Roseland, New Jersey's Friedman Siegelbaum in June 2000, just as the tech bubble was bursting. Some of the newcomers struggled in adjusting their practices and client base to the larger firm during the slowdown. More than 20 left the firm. "What's most important to the way we practice law is that people be able to adapt to different market cycles—not to be too rigid," Pisa says. Goodwin closed its New Jersey offices in November 2005. Still, a handful of lawyers from Friedman Siegelbaum remain with the firm in New York, including former name partner Joseph Siegelbaum and current New York office chair Albert Solecki, Jr.

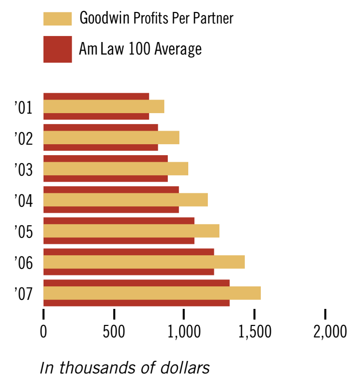
Goodwin's March 2001 acquisition of a group of 13 lawyers at New York's Schneck Weltman & Hashmall has proven more fruitful. The group joined with a docket of product liability work for Teva Pharmaceuticals Industries Limited, the nation's largest manufacturer of generic drugs. At Goodwin the relationship has expanded eight-fold to include patent litigation and has become an anchor in the 200-lawyer New York office.

But the lateral door swings both ways. In January 2004, 16 of Goodwin's 27 lawyers in Washington, D.C., exited to form financial services boutique Buckley Kolar. In October of that year, Goodwin reloaded in D.C., adding 70 lawyers through a merger with litigation boutique Shea & Gardner. (The firms shared such clients as General Electric Company and Prudential Financial, Inc.) After adding groups of financial services, intellectual property, and private equity lawyers, Goodwin now has more than 100 lawyers in Washington.

Closer to home, it was a mass acquisition in Boston that expanded Goodwin's reach to technology companies along the Route 128 corridor—Boston's version of Silicon Valley—and paved the way to California. During the dot-com boom, Testa, Hurwitz, located just a couple of blocks from Goodwin's State Street offices, was the firm of choice for Route 128's tech clients. When Testa began to unravel in late 2004, Goodwin was ready to strike, in part because it had surveyed investment bankers

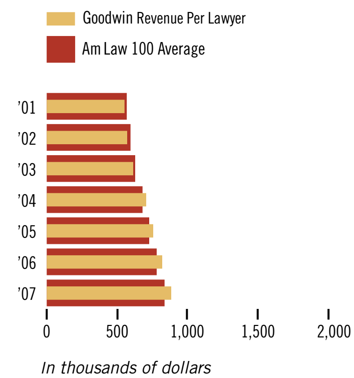
HIGH PROFITS

Goodwin's profits have long been higher than The Am Law 100's average…



MIDDLING REVENUE

…but its revenue per lawyer has been slower to catch up.



GOODWIN'S GROWTH

Key events in Goodwin Procter's history:

1912 Founded by former Harvard classmates Robert Goodwin and Joseph Procter

1960 Helps shuttle legislation through Congress to authorize real estate investment trusts. REITs go on to become a core practice area for Goodwin.

1994 Opens first office outside of Boston, in Washington, D.C.

1997 Opens an office in New York

1998 Names Regina Pisa chair and managing partner

2000 Picks up 27 lawyers from New Jersey IP and tech boutique Friedman Siegelbaum

2001 Approves strategic plan focusing on six practice areas—financial services, private equity, real estate, complex litigation, technology, and intellectual property. Adds 13 lawyers from New York's Schneck Weltman and Hashmall; they bring product liability work from Teva Pharmaceuticals.

2002 Revamps compensation structure

2004 Loses 16 of the 27 lawyers in its Washington, D.C., office. They form Buckley Kolar, a financial services boutique. Restructures practice groups. Merges with Shea & Gardner, a 70-lawyer litigation shop in Washington, D.C.

2005 Adds 91 lawyers from imploding Boston tech specialist Testa Hurwitz

2006 Opens offices in San Francisco and Century City, California

2007 Expands into San Diego, downtown Los Angeles, and Silicon Valley

FUND FORMATION LAWYER JONATHAN AXELRAD WAS LURED FROM WILSON SONSINI.

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and industry leaders about potential laterals from Testa and other firms years before, in developing the strategic plan. "When the opportunity came, these people weren't foreign to us," Pisa says. "We had already done the background research."

Less than two weeks after Pisa heard the rumblings of Testa's impending breakup, individual offers were made. Twenty-five Testa partners landed at Goodwin and more than 60 associates followed. In the process, Goodwin picked up work for clients including Alkermes, Inc., athenahealth, Inc., Phase Forward Incorporated, iRobot Corporation, and venture capital firm General Catalyst Partners Llc.

Most Testa associates had been encouraged to take time off to unwind, so incoming Testa partners worked with Goodwin lawyers to service clients. Likewise, when Testa associates arrived at Goodwin, they intentionally were assigned to Goodwin partners and clients to make sure no "ghetto of former Testa lawyers" formed, says William Schnoor, Jr., a Testa partner who moved to Goodwin. Pisa sums up the Testa acquisition, as well as the addition of a tech group from McDermott Will & Emery in 2005, like this: "People tell me, 'You got really lucky.' Well, we made our luck."

THE STORY OF TESTA'S integration has become a central selling point to potential laterals in Goodwin's West Coast recruiting. Although by most internal estimates, Silicon Valley was the most logical place to launch in California, the firm chose instead to first build on its strength in real estate. Pisa had spent more than a year studying the California market with the help of consultants and had talks with leaders of several firms, including Heller Ehrman [see "Stop-Loss," page 142]. Ultimately, Goodwin elected to grow by small group acquisitions and single partner pickups. In April 2006, Goodwin opened a San Francisco office headed by former Cooley Godward real estate chair Paul Churchill and, in Southern California, a Century City office headed by former Pillsbury Winthrop Shaw Pittman real estate finance partner Lewis Feldman.

That push was followed in March 2007 by acquisitions of a Heller Ehrman life sciences group based in San Diego and real estate partners based in Los Angeles from Mayer Brown and Munger, Tolles & Olson. In June of that year, the firm opened its Silicon Valley office with lawyers from Latham & Watkins, Townsend and Townsend and Crew, and Wilson Sonsini. With growth in the first year pushing Goodwin's head count in Silicon Valley to more than 40, the firm already has outgrown its office space there.

Now that the California offices are in place, Goodwin has two teams exploring the possibility of adding offices in Asia and London. "The question we're left with is, do we have the energy and do we have the people that have the inspiration to take it to the next level?" says Menna. Pisa has no illusions that such a course would be easy. "We're not the first to this party," she says. "We're late, frankly."

The odds look good that there will be more late-night e-mails in Pisa's future.

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GOODWIN PROCTER

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