

Spotlight on Strategy: Middle-Market and Mergers for Fox Rothschild

By Jennifer Henderson

January 27, 2016

The Firm: The last year has been a big one for Philadelphia-based Fox Rothschild. Not only did the firm make its way to the Am Law 100 ranks for the first time last year, stepping in at No. 95 after a Second Hundred finish of 105 the year prior, it also completed on Jan. 4 what the firm views as its “most significant” merger, absorbing 82-lawyer Minneapolis firm Oppenheimer Wolff & Donnelly.

With the Oppenheimer deal done, Fox Rothschild has grown to more than 700 lawyers in more than 20 offices across the U.S. According to the most recent Am Law 100 numbers, Fox Rothschild saw gross revenue rise 10.1 percent in 2014, to \$331.5 million, while profits per partner increased slightly, to \$640,000. (Fox Rothschild’s current fiscal year closes in March.)

The Challenge: Fox Rothschild’s firmwide managing partner Mark Silow said that his firm set out about 25 years ago to become a regional firm in the Philadelphia metro area. In the late 1990s and early 2000s, he said, Fox Rothschild’s definition of a regional firm expanded to include New York and Florida, and by 2006, a national presence was the new target.

For Fox Rothschild, meeting growth objectives, while staying true to the firm’s unique focus—one that largely revolves around serving middle-market clients—is essential to where it’s headed. “Our business strategy is to become a better version of who we already are,” said Silow, re-elected to another three-year term as firm leader in April 2014.

The Strategy: Fox Rothschild is “very comfortable with [the firm’s] middle-market approach,” said Silow, adding that the firm’s client base includes closely held businesses, small public companies, high-net-worth individuals and tax-exempt organizations, as well as Fortune 100 companies. The work that Fox Rothschild



does for both types of clients, however, is largely different, Silow explained. For its traditional middle-market clients, the firm essentially functions as their outside legal counsel in every way, while the Fortune 100 companies typically turn to Fox Rothschild only for specific matters. “Gross dollars [per group] is about 50-50,” added Silow.

Aside from the usual capabilities of any large firm, Fox Rothschild also specializes in areas that other Am Law 100 firms generally wouldn’t choose to handle, said Silow, such as matrimonial work, real estate and trust and estates. Silow said that Fox Rothschild has selected to focus on such practice areas for two main reasons. First, they are essential to fully serve the firm’s core middle-market clients. Secondly, “We think our billing rates are a little kinder and gentler than most other firms of our size,” Silow said. “We think we can, in our business model, accommodate those types of practices and the types of fees and rates those [clients] require us to charge.”

Silow added that Fox Rothschild’s “sweet spot” for billing rates is \$400 to \$700 per hour, while certain engagements can be lower. Additional niche practice areas that Fox Rothschild is committed to expanding include entertainment law, gaming and IP.

As for future growth, and adhering to the firm's middle-market blueprint, Silow said that Fox Rothschild doesn't rely on head count targets, but that it is interested in certain geographies. The Pacific Northwest, including Seattle and Portland, along with New England, specifically the Boston corridor, and the Midwest cities of Detroit; Kansas City, Missouri; and St. Louis are all areas of interest for the firm, he noted. Chicago, Miami and Dallas are existing offices that Fox Rothschild is committed to expanding, added Silow.

Silow said that mergers have been Fox Rothschild's cornerstone of achieving growth objectives in the past, particularly because of the efficiency achieved by opening offices through a tie-up with an already established firm. (Aside from Oppenheimer, Fox Rothschild has expanded in recent years by absorbing the remnants of Philadelphia-based IP shop Synnestvedt & Lechner in 2008, bolting on 16-lawyer Denver firm Lottner Rubin Fishman Saul in 2013 and acquiring Dallas-based David & Goodman in 2014.)

"Oppenheimer has been [the firm's] largest with 82 lawyers, and I think we've proven that we can handle [a merger of that size] and integrate well," Silow said. "Traditionally our mergers have been in the 10-to-25-lawyer range, [but we] have the capability to do larger." Silow added that he doesn't foresee Fox Rothschild ever pursuing a merger of equals because of its strong commitment to its existing culture, but noted that the firm would be interested in future deals with other shops the size of Oppenheimer.

In terms of attracting laterals, Silow said that Fox Rothschild differentiates itself through not only its geographic footprint, but also its flexible billing. "We have demonstrated the ability to work with clients on alternative fee arrangements that make sense for them as businesspeople and us as lawyers, and I think that's really helped us gain market share in the last few years," explained Silow (pictured right).

Lateral growth aside—this week Fox Rothschild hired Margaret Davino, head of the health care practice at



Kaufman Borgeest & Ryan in New York—Silow said his firm is committed to organic growth as well, with both means essential to remaining healthy and viable.

Obstacles: Keen on growth across the U.S., Silow said that Fox Rothschild is content with sticking to its domestic base, though the firm has been presented with opportunities for international expansion—specifically in Europe and China—and has considered the possibility of outposts abroad.

"It's a topic that is discussed frequently," Silow said. "More and more of business is international in nature, but we continue to come to the conclusion that it's not for us yet."

Silow said the costs and risks of international expansion outweigh the benefits for now, but that the firm will re-examine growth outside the U.S. in the future. In terms of meeting client needs, Fox Rothschild participates in a network of international firms located outside the Americas in Europe and Asia, according to the firm's website.

Stateside, Fox Rothschild's U.S. Food and Drug Administration practice and corporate securities practice are two that Silow said he would like the firm to expand in terms of depth. Silow also noted that, across the board, many firms have felt a slowdown in bankruptcy and high-stakes litigation work, so remaining well-rounded is important.

"A good, healthy general practice law firm is like a diversified investment portfolio," Silow said. "You can never predict which stocks go up or down, [so we] better be able to handle whatever comes our way."

Signs of Success: Silow said the firm runs on three-year models, and that it is in the second year of its current cycle. The models focus on growth opportunities, rate structure and billable hours, among other areas, he added, and after each year, Fox Rothschild measures performance to make the necessary adjustments.

In particular, Silow said that Fox Rothschild looks at revenue per lawyer and profit margin on the firm's revenue. Most recently, Silow said the firm's profit margin has been about 40 percent, which he said Fox Rothschild views as "healthy for a large firm." He added that the firm has consistently grown its revenue, and that its target is "7-10 percent revenue growth per year."