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Cover Story

Leadership changes at local law firms shift emphasis away from Pittsburgh

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It was late 1993 and Tom Murphy hadn't been Pittsburgh's mayor-elect long enough to anticipate what was about to happen.

The longtime representative from Pennsylvania's 20th Legislative District was still enjoying the fruits of his victory when he received a letter from the 10 local corporations that made up the ownership group of the Pittsburgh Pirates. The missive stated their intention to sell the club.



CURT HUDSON

Philadelphia-based Joseph Dougherty became CEO of Pittsburgh law firm Buchanan Ingersoll & Rooney in June, and here.

That triggered a clause in the city's deal with the team that gave Murphy just nine months to bring together another group, otherwise the current ownership was free and clear to look elsewhere for a buyer, raising the specter Pittsburgh could lose its beloved Buccos.

"Here I am, not even a new mayor, who ran on a platform of taxes, jobs and crime, and knew nothing about this deal of owning a baseball team," Murphy recalled. "The first person I called was Bill Newlin."

Newlin was CEO of what was then Buchanan Ingersoll PC, the city's oldest and third-largest law firm. Newlin and Murphy had teamed before when the congressman set out to rewrite Pennsylvania law by establishing a model that would enable pension funds to invest early stage capital in tech startups. Newlin was an architect of the Pittsburgh Technology Council, personally drafting its bylaws.

"Bill was our chief negotiator as we put together a new ownership group and he was absolutely critical to keeping the Pirates [in Pittsburgh]," Murphy said. "And he became an important piece of figuring out how to finance a baseball park, a football stadium and a new convention center when we made the decision to do all three at the same time."

It was the kind of collaborative culture between Pittsburgh's top corporate officers — particularly its law firm chiefs — that Murphy says was essential during his time as mayor.

"Whether it was Buchanan, K&L [Gates] or Reed Smith, they were all incredibly important, much more so than the corporations many times," he said.

But whether that could happen today is anyone's guess. Since late 2013, two of Pittsburgh's three largest law firms, No. 1 Reed Smith LLP and No. 3 Buchanan Ingersoll & Rooney PC, have elected top officers who are not based here.

"One of the inevitable consequences is leadership shifts outside of Pittsburgh and Pittsburgh becomes de-emphasized to some degree," said Ron Schuler, a former Buchanan partner who is member-in-charge of the Pittsburgh office of Charleston, W.Va.-based Spilman Thomas & Battle PLLC and author of "The Steel Bar: Pittsburgh's Lawyers and the Making of Modern America," a book about the history of the legal profession here.

"When the leadership of a law firm is in Pittsburgh, it's more likely those firms will play a role in or have influence here," Schuler said. "If it isn't, it's harder for that to occur. The things law firm leaders did in the 1980s and 1990s, participating in the birth of technology and starting business opportunities, were because they were in Pittsburgh. When firms become more nationalized or delocalized, that begins to fall away."

That hasn't happened in Pittsburgh — yet. It's still early at Buchanan and Reed Smith, and both have management structures with large local representation.

Nevertheless, it's a trend some believe will be adopted by more firms here, raising concerns over whether the threads connecting them to the fabric of the city will eventually unravel.

Beyond Pittsburgh

To see signs of change, Schuler says, one need look no further than at Pittsburgh's corporations and how globalization has changed the way some view their civic responsibility.

"You might have local leaders but leadership and influence run from the top of the firm and that's the danger we face," he said. "I don't say it's the end of the world. But it's akin to what happened to the corporate sector. You could see it in Pittsburgh that large CEOs felt a duty to collaborate. You don't see that same paternal approach over trying to improve the city when leadership changes from local to national and international."

There are advantages to being a much larger business that maintains a Pittsburgh headquarters, Newlin allowed. But there is a “flip side.”

“... If the main leadership is elsewhere, the power within Pittsburgh for that outfit will be less,” he said. “That’s reality. The thrust of that, rightly or wrongly, will be that there is less time and fewer resources to focus on what the rest of us consider the primary focus of Pittsburgh. It’s just reality.”

There has been dramatic growth among the locally based law firms — in Buchanan’s case, it’s been domestic; Reed Smith and K&L Gates have expanded their presence worldwide, and that’s reflected in how their leadership teams are set up.

“It’s the nature of what’s going on everywhere in the world,” Murphy said. “Law firms count on local clients but how that spins out in civic involvement isn’t as clear.”

More and more, there are those in the local legal community who believe firms will continue to look outside Pittsburgh for their future leaders.

“It wouldn’t surprise me,” said Douglas Cameron, a Pittsburgh partner with Reed Smith who chairs its worldwide litigation practice and is one of three locals on its seven-member senior management team. “Firms choose who they think is the best person and that person may be outside of Pittsburgh.”

And some say it’s possible, if not probable, that Pittsburgh firms may be led by lawyers outside the U.S. in the not-too-distant future.

“That’s one of those steps that an institution, that this institution, could take,” said Alexander “Sandy” Thomas, Reed Smith’s global managing partner, who is based in Washington, D.C. “We are a global organization that started in Pittsburgh and it’s foreseeable that, at some point, we could have someone outside the U.S. in the leadership of Reed Smith.”

Reed Smith operates offices in 426 cities, 12 of which are outside the U.S., including its largest in London.

K&L Gates LLP, Pittsburgh's second-largest firm, has 46 offices, 22 outside the U.S. Peter Kalis, its chairman and global managing partner, declined to be interviewed for this report.

The trend toward choosing law firm leaders outside the headquarters city may still be developing, but is no longer surprising, commented Robert Denney, head of management consultant Robert Denney Associates Inc. in Paoli.

In fact, when Reed Smith was set to announce a new firm-wide global managing partner back in 2000, the first question uttered by the heads of two other local firms was "Pittsburgh or Philadelphia?"

Gregory Jordan, a Pittsburgh lawyer, was the choice, becoming the youngest person to lead the firm. And when he resigned in 2013 to become general counsel at PNC Financial Services Group Inc., his successor was Thomas. For the first time, one of Pittsburgh's largest law firms wasn't led by someone based here.

Next was Buchanan, which in July 2015 announced it had tapped Joseph Dougherty, head of its Philadelphia office, as CEO and managing shareholder. He took charge June 1 after nearly a year of transition.

Buchanan has 19 offices, chiefly in the eastern U.S., and Dougherty's appointment seems to have opened the door for smaller regional firms to follow suit.

"I don't think it's a case of politics or firm morale to say we'll pick someone from Chicago even though we're a Pittsburgh firm," said Denney. "It's purely, 'Where do we feel we have a competent successor who will have the support of the firm?' They may also have a stronger growth plan for one of the other offices."

Rising through the ranks

The bigger a firm is, the larger the pool of talent it has to choose from or nurture and develop future leaders. The bigger their offices are, the more lawyers want a say in governance. In some cases, the offices came via acquisitions, which means attorneys have long-standing roles in their communities.

The ability to rise through the ranks, no matter where one works, has become a factor in hiring.

For example, Lori Carpenter, president of recruitment firm Carpenter Legal Search, said she is in discussions with a lawyer in another city who not only is a candidate to lead a new office for a Pittsburgh firm, "but would want to be considered managing partner of the entire firm at some point."

When Pittsburgh firms recruit for their outlying offices, candidates are attracted by opportunities for advancement they believe are lacking in their present roles.

"They don't feel they have access to that path for one reason or another — too many people ahead of them, too many hanging on," Carpenter said. "It's empowering to lawyers that if they have an interest in leadership, they can play a meaningful role today and potentially become the next managing partner and it doesn't matter that they're not at the home office."

Eric Seeger, a principal of legal consultant Altman Weil Inc., explained why that works better at law firms than in a typical corporate environment.

"Corporations have a hierarchical structure where the CEO is the decision maker and leader but in a law firm, the managing partner is never running around making unilateral decisions," he said. "He doesn't make major moves without the support of the partnership. It's not accurate to portray the managing partner as the chief decision maker even though he may be the most visible person."

Buchanan has three executive shareholders, two of whom, Thomas Buchanan and Wendelynne Newton, are in Pittsburgh. Three members of its 12-person board are based downtown.

Reed Smith's senior management team oversees day-to-day operations and is part of a 23-member executive team that operates as a board. All told, there are four Pittsburgh representatives on the team.

"When Greg took over, we went to a practice group center and so you were working across the entirety of the network as we became national and international," Cameron said. "A firm like this only works if you work through networks, not office-by-office, following the clients' needs that are outside of Pittsburgh. We can connect with partners across the platform to serve those clients."

Advances in technology also have made it easier for far-flung lawyers to stay connected. Reed Smith's downtown operations center, for example, works around the clock, seven days a week.

"We try really hard to use technology to bring the firm closer together and I think we're successful at that," said Reed Smith's Thomas. "We do ad hoc meetings electronically and we're likely to be doing that increasingly by desktop video."

"The way we practice law has changed," noted Buchanan's Dougherty. "There's far more collaboration and working among different practice groups in order to adequately service clients. It's a lot easier than it was 20 years ago because of technology. We regularly have many different matters with individuals working on them from many different offices."

Roots and traditions

Both Reed Smith and Buchanan have gone to considerable lengths to emphasize the importance of their Pittsburgh origins and continued presence in civic affairs.

"We have a magic circle-like reputation in Pittsburgh and I feel it's really important to maintain and grow that reputation in Pittsburgh," Thomas said. "It's a huge asset of a law firm."

Thomas and Dougherty each have offices downtown.

"I'm there very regularly," said Thomas, who has clients in Pittsburgh. He drives in from Washington "unless it's the middle of winter." Frequency varies according to business.

Thomas does not sit on any Pittsburgh boards, although other firm partners represent Reed Smith in the community.

Dougherty said he is in Pittsburgh a couple days a week at least two weeks per month, sometimes three.

"Even though the universe is changing, the roots and traditions don't have to change as much," he said. "Buchanan's roots are in the Pittsburgh community and it's important to the identity of the firm and the culture we promote."

Dougherty is not on community or civic boards yet, but said he plans to be.

His predecessor, Jack Barbour, now executive chairman of Buchanan, is active with the Allegheny Conference on Community Development and United Way of Allegheny County, among other entities.

Running a multioffice firm means regularly visiting the cities in which it operates. Jordan's travel while at Reed Smith was legendary in local legal circles. One year, he once related, he was on the road 197 days and ranked among US Airways' 50 most-frequent fliers.

"Times have changed," quipped Barbour. "I'm one of Southwest's."

But the pace attached to leadership is intense. Even Barbour, who served on several local boards while at the helm of Buchanan, says he can do more now that he's not traveling as much.

"I was asked to chair the Properties and Facilities Committee [of the University of Pittsburgh Board of Trustees]," he said. "I wouldn't have the time to do it properly if I was still managing shareholder."

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