Minority firms gain downturn advantage

Professional services firms hire from larger rivals damaged by the recession—and grow

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COURT OF LAW: Seth Bryant's law firm has recently hired attorneys with pedigrees from big-name rivals, adding to its cachet.

On Dec. 31, 2008, attorney Seth Bryant left white-shoe law firm DLA Piper; a day later, he opened a new law practice. It was a gutsy move—starting a small, minority-owned business while bigger firms were stumbling through the recession and putting thousands of lawyers on the street. But it was that very disarray that made the attorney think the time was right.

“There was a lot of carnage in the legal market,” says Mr. Bryant, who is black. “I figured it was a good opportunity to link up with people who were at places where things were not working out.”

His instincts proved prescient. Sixteen months later, Bryant Burgher Jaffe & Roberts boasts a roster of 18 experienced attorneys, offices in both Manhattan and Washington, D.C., and a growing list of corporate clients.

The economic meltdown that decimated the ranks of Wall Street and Big Law is turning out to be a boon for minority- and women-owned businesses in those sectors.

In fact, if there's a silver lining to this recession, it's that many such firms are cashing in on big-company fallout. They are hiring experienced bankers, accountants, lawyers and other professionals who, by preference or necessity, are gravitating to smaller firms—and bringing clients and connections with them.

Many firms are finding that being small and having minimal overhead and bureaucracy plays well in today's frugal environment, helping them win business from increasingly cost-conscious clients.

CLOSING THE COMPETITIVE GAP

“Out of every crisis comes opportunity,” says Lyndon Taylor, a managing director of executive search firm Russell Reynolds. “Small, minority boutiques that found it harder to compete with, say, a Morgan Stanley, are now able to compete as more attractive employers.”

To be sure, minorities have in some cases borne more than their share of recession-related problems. While big U.S. law firms got rid of 6% of their lawyers between 2008 and 2009, the downsizing included 9% of their minority attorneys, according to *The American Lawyer*'s Diversity Scorecard, an annual survey. Minority-owned companies in a number of industries say they got a disproportionately small share of stimulus money, and even firms that are doing well must perform a delicate balancing act in this economy.

“Most clients are asking for reductions in fees,” says Anthony Kendall, chief executive of minority-owned accounting firm Mitchell & Titus. “It's a challenging time to grow an organization.”

Last year, 8,142 businesses were certified as minority- or women-owned by New York state, including 2,853 in New York City; that total was up from 7,491 in 2008. An initiative by Gov. David Paterson is leveling some of the obstacles for such firms to do business with the state, and municipal underwriting firms are taking advantage. In 2009, 23% of state fees paid to underwriters went to minority- and women-owned firms, up from 4% in 2007.

“More firms qualified as senior managers and led deals as senior managers—and quite successfully,” says Paul Williams, president of the Dormitory Authority of the State of New York and head of the governor's task force.

But being able to expand and move to the next level also requires establishing the expertise and the critical relationships traditionally enjoyed by nonminority firms.

That's one of the reasons why over the past year, Bryant Burgher has added attorneys with pedigrees from marquee firms such as Cadwalader Wickersham & Taft, Morrison & Foerster, Merchant & Gould, and Dewey & LeBoeuf. Mitchell & Titus has added some 50 people in the past year and a half, including a former Ernst & Young partner who heads the new marketing and advertising risk services unit.

Manhattan-based ICV Capital Partners, opened in 1998 as a nine-person private equity firm, has hired two more principals—from SunTrust Robinson Humphrey and Chicago buyout firm Reliant Equity Investors. It's about to add a third, from a billion-dollar private equity firm.

“If you have the ability to take on new people who will help build business, it's a phenomenal time to do it,” says ICV co-founder and Managing Director Tarrus Richardson, who is black. “It's less because it's cheaper—we're paying a lot for the people we're bringing on—than because it's a great time to get talent.”

In some industries, such as municipal finance, the influx of new talent is giving minority- and women-owned firms a deep pool of experience. They've recently scooped up dozens of refugees from Bear Stearns, Lehman Brothers, UBS's shuttered public-finance operation and other banks that are downsizing.

Municipal underwriter Siebert Brandford Shank & Co. has added 26 new people and last month recruited former New York City comptroller William Thompson. Hispanic investment firm Samuel A. Ramirez & Co. hired 55 people over the past two years, bringing its total work force to 120. Minority investment banking firm M.R. Beal & Co. added eight senior bankers in equities, sales, trading and municipal finance in the past year.

MORE PEOPLE, MORE DEALS

“It has really paid off for us,” says Suzanne Shank, CEO of women- and black-owned Siebert Brandford Shank, which last quarter became one of the top 10 municipal underwriters for the first time. “We have more people going after more business, and we've been able to increase the volume of deals we've done.”

Not surprisingly, the new faces in the ranks are giving women-owned and minority firms a crack at clients and deals that would have been much more difficult to land a few years ago. A senior hire from Morgan Stanley, for example, helped M.R. Beal snare a deal with the University of California. At Siebert Brandford Shank, a former Lehman banker with 22 years of experience helped clinch an $800 million assignment from the city of Chicago.

Paul Weiffenbach, formerly a partner in structured finance with Orrick Herrington & Sutcliffe and now a partner at Bryant Burgher, has helped take his new firm into securitization work, recently completing a deal for a company that services credit card receivables. Founder Mr. Bryant brought relationships with DuPont and Morgan Stanley, both of which have become clients of the young firm. “It would have been unlikely two years ago for a firm like this to be doing securitizations,” says Mr. Weiffenbach.

At the same time, many minority- and women-owned firms have been well-served by keeping overhead low and sticking to their knitting.

Nukk-Freeman & Cerra, a women-owned employment law firm in Short Hills, N.J., recently landed discriminationclaims work for a major Manhattan financial services company. The client, which was looking for more diverse vendors but also wanted to lower its legal bills, had already turned down big firms that priced their services too high, says partner Suzanne Cerra.

“We're a very good fit for a lot of these companies,” she notes. “We have the large-firm talent, and we can deliver the same services at competitive prices.”

Whether such firms' new hires—many of whom are not minorities—will change the face and character of these firms remains to be seen. Even with dozens of new staffers, Samuel A. Ramirez & Co.'s work force is still 47% minority. Many firms say their intent is to stay minority- or women-controlled, but with an increasingly diverse work force.

“Even though we are minority-controlled, we look at ourselves as multicultural,” says Mitchell & Titus' Mr. Kendall. “We have 30 different nationalities in the firm.”

FINDING NEW WAYS TO BUILD

NEW RECRUITS at minority- and women-owned businesses may not be doing the high-profile deals they were accustomed to at their old firms, but they are making their mark in other ways.

Paul Weiffenbach had been at Orrick Herrington & Sutcliffe for 17 years, until the securitization business dried up. When he left, he rejected the idea of going to another big firm. “I thought it would be more of the same, fighting for business from the same platform as everyone else,” he says.

The prospect of building a business **without the burden of a big-firm bureaucracy** appealed to him, however.

“We have the ability to attract business by offering lower fees without sacrificing quality,” says Mr. Weiffenbach, now a partner with Bryant Burgher Jaffe & Roberts. “We don't have a marketing department, an HR department or a million associates to keep busy—but we have very experienced lawyers. It's difficult, but we're getting the business.”

Similarly, Bear Stearns refugee Dan Keating was a 33-year veteran and head of municipal products at that firm, when it was among the nation's top municipal underwriters. Samuel A. Ramirez & Co., the nation's biggest Hispanic investment bank—where Mr. Keating is now head of public finance—does not occupy the same lofty position, but he is moving it in that direction.

Last December, the firm landed its biggest senior managed deal: the brass ring for muni underwriters. It's handling a $600 million bond issue by the Massachusetts School Building Authority, a first-time client for Ramirez & Co.

“**The people we brought in have done the biggest deals** in the industry,” says Mr. Keating. “It makes the issuers comfortable, and [investors know] we are going to price it right, structure it right and deliver good product.”

Samuel Ramirez Jr., managing director and heir apparent to the firm founded by his father, couldn't be happier.

“We are really pushing to take more of a senior role in underwritings,” he says. “With some of the competitors getting out of the way and the fact that we are able to hire good talent, we are getting those opportunities.”
