LAWDRAGON

Lawyer Limelight: Stuart Liner

Photo by Amy Canrell

In this era of legal innovation, we thought it was time to talk to Stuart Liner, who's been reinventing the law business for nearly 20 years at L.A.'s Liner LLP. He brings a velocity and appreciation of risk to all aspects of the firm – from the practice of law, to its underwriting of 85 students in need, to its substantial returns from a unique investment fund.

With a core group of partners, Liner has built one of the largest independent firms in Southern California, focused on key strategic practices, including entertainment, real estate, food labeling and hospitality class action defense, and bet-the-company litigation – including a $24 million settlement the firm recently won against the State of California.

Lawdragon: Your firm, Liner LLP, seems to be soaring while many traditional firms struggle. What led you to open your own firm when you were 34-years old?

Stuart Liner: I was fortunate to be able to develop a substantial practice by my fourth year as a lawyer and was made partner at a 20-lawyer firm in Century City. From the beginning, I had a strong interest in understanding the business side of law firms and felt comfortable in a management role.

When we started this firm three years later, I had become intimately involved with running a small law firm and felt confident that my growing practice would prosper in an environment in which I had tighter control over decision making.

As a result, 19 years later, we have an exceptionally strong L.A. firm that does really good legal work while controlling our costs, and having a business acumen that gives lawyers here opportunities to make money doing something beyond just practicing law.

LD: How does the firm today compare with your original vision of it? And what were some of the challenges along the way?

SL: My vision was to have a law firm that would be more than just the practice of law. I wanted to go beyond the hourly model on the business side, but also have a strong element of giving back to our community with an emphasis on young people and education. To do that meant we had to become a really good law firm, which meant recruiting very talented lawyers.

Early on we were successful in recruiting some excellent lawyers, like Joe Taylor, Eddy Klein, Ellyn Garofalo, Michael Novicoff, Mitchell Regenstreif and Angela Agrusa, who are also fantastic people. That created a foundation that made it possible for us to grow our respective practices while continuing to be opportunistic about lateral growth.

The problem was – from 1996 until just the last few years – we were fighting a tidal wave where everyone was going to national or international law firms. These firms were all putting boots on the ground here in L.A. We started to recognize there was a certain kind of really good lawyer that would come to our firm. It may be based upon conflicts, or they couldn't work for someone in Philadelphia or New York or somewhere else, or because they were ambitious entrepreneurs wanting to take some risk for upside financial rewards.

We were incrementally growing every year with an eye towards trying to create critical mass in practice areas that we thought were important to have in the L.A. legal market – entertainment, real estate, and litigation.

A lot of those early years were very lucrative for us because we had clients that would allow us to leverage the practice. For many of those years, we were four associates per partner, which allowed us to focus on the hourly business as our primary source of income, and take some strategic risks.

LD: What about those early years led you to believe this was working?

SL: This is a business built on relationships. When you are in business with people you're being tested every day. How are you going to react? What's the communication like? Are you fair? How do the economics get worked out?

Enormous goodwill was built between me and the partners in terms of trust and an ability to view this as a safe nest. This is a place where we are building something together. And it wasn't just people who were leveraging off each other or asking "what's in it for me." There was a collective "we" as opposed to a lot of law firms that were really just cost-sharing law firms that share expenses tied to a formulaic matrix on their individual productivity, on originations and collections on time. We tried not to do that – which meant that some of us would leave more money on the table to invest in loyalty and creating stability within the core group of partners who were buying into what we were trying to do here.

Between 2003 and 2008, we hit our proper economies of scale. We had enough people and dollars coming through the door and high enough rates to be able to make the money we wanted, and to make investments in other kind of risks and recruit. We grew from two lawyers to 80-something by 2008; which is a lot of growth from primarily lateral hiring.

From that perspective, while it was a great run, there were problems that had more to do with the fact that we were growing just for the sake of growing, and perhaps not being as strategic and selective about lawyers, and the vision.

LD: And then, I take it, you were hit by the financial collapse along with every other law firm.

SL: When the bottom fell out in the economy, we were hit very hard. It was a difficult time for us. The best way I'd put it is we needed to reinvent. We were a little slow about doing that. My partners didn't want to make the needed cuts, but I was willing to do whatever they felt was comfortable for them. We waited to make cuts probably nine months longer than we should have.

LD: And when you cut, how low did it go?

SL: By 2010, we were down to 50 lawyers. In many ways it was the best thing that happened to us because it made us get down to a strong nucleus of partners. It got us to a place at which – for better or worse – we really never had to worry about headhunters pulling our people out.

And it created a committed core of partners. We don't have a traditional structure with capital accounts and buy-ins, so we don't put handcuffs on people. And because we don't carry any debt and don't have any exposure of any real consequence, people are here because they choose to be.

We also saw this as a window of opportunity. We made the decision to dedicate 15 to 20 percent of our time on an hourly basis to some form of risk-based fee relationship. That requires us to be really sharp on how we run our hourly business. We need to run it efficiently and keep our costs down so that people can make a good living on the hourly business and hopefully get rewarded for the risk in a large multiple way for the time we are investing.

LD: Had you done any risk-based fee work before? So many law firms talk about it, but so few do it well or on any significant scale.

SL: We had, which was one of the reasons why it seemed logical; intuitively it felt right to us.

LD: Have you always been a risk taker?

SL: Growing up, my family moved 26 times before I went away to college. I attended four high schools in four years. Although some of those moves were difficult, it also provided me valuable lessons about reinvention, adaptability, and being opportunistic. I was fortunate to have the stability of two loving parents and two loyal brothers who are also lawyers today, which made the chaos of our ever-changing environment manageable. I think that experience alone gave me the ability to look at every shift as a new opportunity to flourish and prosper.

That translates well to what is happening today in our fast-changing world. If being comfortable with the many twists and turns in the road makes me a risk-taker in other people's eyes, I'm okay with that.

LD: Let's talk about risk. Your personal success has been written about extensively. Do you bring that same strategy to the firm's work?

SL: As a firm, we try to keep within a window of risk tolerance where we know we keep the lights on and people are comfortable with their economics and then have the opportunity to play for upside.

We are very disciplined about how much money and time we spend on cases so that it doesn't significantly impact our cash flow and we avoid going into debt and doing things firms often do when they are too heavily laden into one or the other. If you're going 50 percent risk and 50 percent hourly, it's hard to make a stable living.

For us, 80 to 85 percent of our time is in hourly work and is a good living as long as we collect our money and keep our expenses down. We had to stay very disciplined about keeping overhead low, staying efficient. We don't have big offices, but we have nice space. We are smart about spending our money.

LD: What does that mean for individual partners here?

SL: We are a partnership with people that understand what being a partner means. This is a place in which you get to choose how much risk you want to take individually. If you're not comfortable taking risk because of financial reasons, or it's just your personality, our system can accommodate that and pay you at a high level based on your hourly business and your hourly productivity. You obviously don't participate in the investment ventures at the same level as those people who are willing to take more risk.

We view this as the "choose me" state. You get to choose how you want to live and how you want to earn your income.

It's a self-actualized philosophy; know yourself. Don't try and be something you're not. We can accommodate the non-risk person. We can accommodate the high-risk person. And most people here fall somewhere in between. I actually have very few financial conversations with partners on an annual basis once we establish each person's priorities.

LD: How can that be?

SL: Let's be realistic. We pay well. That makes it easier. And historically when there have been liquidity events, people have felt the distribution has been fair.

But we have never had a partner vote. Ever. We do not conduct all-partner meetings. Ever.

LD: Never?

SL: It has been 10 years since we last had an all partner meeting. We're 28 partners, we communicate with each other every day. I'm walking those halls and knocking on people's doors. People are in my office all day every day. Part of my job is to play traffic cop and to solve problems and to get the right people working on the issues, whether it's management issues or client issues or economic issues. And trying to put together the right team and then deputize people who are comfortable making decisions. To get the right people for the right jobs.

Part of my job is also to build consensus. If you look at it the way we do, it's really about accountability. I would never make any decision of any consequence without getting the buy-in from all partners. We've never really had a situation where the partners weren't unanimous on any real issue.

Running a law firm this way requires rational conversations and forces partners to own what is really important to them. My experience being in law firm partnerships is typically when you have partnership meetings, the people with the very least to say talk the most. And none of us have the patience for that here. This may be unorthodox for law firm cultures, but it works well for us.

LD: It's not for everybody?

SL: Not at all. If you view the process of democracy as an important component for running a business or a law firm, I can't relate to you.

I don't think that you can make the decisions necessary in this fast-moving economy waiting for people to process over long extended periods of time, to then communicate their feelings and to build a consensus. You need someone who has the vision, is selling the vision, and then is taking into account people's opinions along the way and processing it to build the consensus. We have velocity to our decision making. And that's a more productive way for us.

We've made a conscious decision not to be a 250- or 500-lawyer law firm. We wanted to be nimble, to be quick, to move toward opportunities quickly and to do that you can't be a slow-moving dinosaur.

LD: For the right lateral partner, this sounds like a great opportunity. And certainly, you've added some legendary L.A. lawyers, including Larry Stein, Larry Feldman, Bob Kahan, and Bob Kaufman. If you had your pick of any type of lawyers to join you over the next year, what or who would they be?

SL: We have been fortunate to recruit some amazing partners over the past couple of years in addition to those guys. People like Jerry Neuman, Michael Kiely, Scott Robinson, Rocky Delgadillo, Steve Abram, Dennis Roy, Bill Pham, Wayne Grajewski, and Robbin Itkin.

All of them came here searching for a better way to practice law – whether in the actual practice or the business of law – wanting to maximize their earning potential by stepping out of conformity and doing what other law firms are doing for the sake of consistency.

These are people with some guts who are willing to break habits, take risk and have a willingness to reinvent themselves when the world changes; and are people who can be accountable for their decisions and own their failures, which will occur when you take chances. These traits, in combination with the culture of shared opportunity and involvement, inspire a feeling of ownership in our partners. The builder in me carries over and the partners here feel like builders in our firm. This is unique to us.

We have been approached by scores of national law firms over the past 10 to 15 years that were interested in acquiring us. And we have unanimously rejected those overtures because we value our autonomy, culture and upside potential.

LD: How do you continue to practice while you're doing all this?

SL: I have an enormous luxury of being able to be at a firm of our size and have zero billing expectations. I do not bill time to any hourly clients. That doesn't mean I'm not working on matters or that I'm not involved in matters, but my time is free.

That gives me the ability to put myself to my highest and best uses, which is working with our partners to provide strategic input for clients and the law firm, and our investments of time and money.

LD: Tell me a bit more about other investments the firm makes, in particular the role of the investment fund. From what I hear, you should have a line out the door of attorneys hoping to join you just to participate in that fund.

SL: We try to be opportunistic and strategic. Our investments run the gamut from commercial real estate, parking, software, and management companies, successful Broadway plays, studios and entertainment companies, and student housing. In addition, my partners have been involved in investments on the residential end, including some of the homes my wife and I have built and sold.

The idea is to collectively find opportunities that will be lucrative, and take into consideration everyone's desire to not have their money tied up too long and to hopefully have great returns.

So far, we have been able to determine what's a good risk and what's not, and we have a very high batting average. Whether it's lucky or smart, we've been able to use this platform to access deals we might not otherwise get. And we use this platform on behalf of clients, whether it's from a political perspective, or making introductions that hopefully lead to transactions between them. We've brokered deals and been compensated for that. Our historical success through the years gives us confidence that we've got a great model.

LD: Let's switch gears and talk about the Liner Scholarship Foundation, and its work. I'm also interested in your thoughts about the firm contributing a very significant amount to public interest when you are clearly a very focused financial enterprise.

SL: For us, being deeply embedded into the local community, and in particular feeling responsibility for doing good works is key. A lot of law firms have done this for a lot of years, and they've been great role models for us.

We focused on one of the things near and dear to our hearts, which is education. In particular, we found an organization that works in Los Angeles called the South Central Scholars fund.

They have a program that identifies hundreds of kids coming out of South Central L.A., who are the brightest kids from the L.A. Unified School District. These kids have everything required of them to go to college except for knowing how to work the process – and the money.

We started the program with an individual child 10 years ago. Built it up to 10 kids a year. We now have 85 kids who have come through our program in which every year we provide between $2,500 and $20,000 per student in aid. We also provide employment opportunities, mentoring, we get involved in their personal situation and try to provide guidance for the major transition to college.

We have kids who go to Harvard who literally have never eaten with a fork and knife before, who live in crack houses, homes with no windows, who are taking buses 1½ hours to go to some school because it's the only safe place for them to be. When you see these kids at various stages, some now in graduate school, getting Ph.D.'s, in medical school and see who they are becoming, and the difference it's making, the impact and waves of influence it has on their communities and their families – it's the greatest thing we've ever done as an organization.