Dutko's Big Bounce

Shop sees revenues skyrocket as it pursues an aggressive growth strategy. But it isn't the only firm doing well.

By Andy Metzger
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For the first time since *Influence* began conducting its revenue survey in 1999, Cassidy & Associates does not sit atop the chart of lobbying firms. Taking Cassidy's place at the head of the table is Dutko Worldwide, which saw its revenue rocket by nearly $10 million last year as it pursued a corporate-oriented growth strategy not dissimilar to the one pioneered by Cassidy more than a decade ago.

It was a good year for lobby shops across the board, with only three of the top 30 lobby firms posting revenue declines. Most shops boosted their bottom line through time-tested methods: making new hires, adding new practice areas, working the hot-button issues of the day, and racking up retainer fees. Dutko's strategy, however, was more nuanced and was executed with a sophistication more commonly associated with Wall Street boardrooms than K Street midrises.

Since Chicago-based venture capital firm Lake Capital bought a majority stake in Dutko in 2003, the firm has been transformed from a sleepy operation to the one of the most aggressive public policy firm in Washington. The numbers bear out the change. After Lake Capital's injection of, well, capital, total revenues at Dutko have increased by $14.6 million, its roster of lobbyists has nearly doubled, and it has acquired Florida lobby powerhouse Poole & McKinley. It has also opened a European outpost in Prague, Czech Republic, and rebranded itself Dutko Worldwide to reflect its new global vision.

"This is not a one-year plan," says Dutko CEO Mark Irion. "Over the last 10 years we've consciously created multiple lines of business." Irion calls 2005 a "gelling" year in Dutko's quest to become a multidisciplinary public policy firm. A review of public filings seems to support Irion's contention. Among the top lobby shops, Dutko is notable for its relative lack of reliance on LDA fees. At powerhouses such as Cassidy, Van Scoyoc Associates, and Quinn Gillespie & Associates, LDA fees contribute more than 90 percent to the firms' total revenues. At Dutko, such fees account for only 64 percent of revenues, with another quarter coming from state lobbying operations, and the remaining 10 percent derived from the firm's federal marketing and overseas practices.

Although Cassidy may have been unseated from the top spot in this year's survey, 2005 was nonetheless a good year for the firm, marking a turnaround from three years of negative or marginal positive growth. Though Cassidy's 2005 revenue of $31.4 million is down from its 2001 high of $34.5 million, it was up nearly 9 percent from the firm's 2004 performance. A big reason for the increase was the addition of one enormous client, Equatorial Guinea, which alone generated $1.6 million for the firm last year.

Clients — and fees — like that are representative of a shift away from the appropriations-centered lobbying that Cassidy has dominated for so long, says the firm's chief operating officer, Gregg

Hartley. “We are diversifying what this firm does,” explains Hartley, noting that Cassidy is consciously expanding into defense, international, and crisis-management work. “Seventy-five percent of our new business was non-appropriations,” says Hartley, pointing to the firm’s roughly year-old strategic communications practice as an example of Cassidy’s new direction. But don’t expect too radical a shift at Cassidy. “Approps will continue to be an important part of what we do, but it is going to be a smaller part of our portfolio than it has been in the past,” Hartley says.

Barbour Griffith & Rogers, which ranks fourth on the charts, posted the largest gain among nonlaw lobby shops, taking in $21.9 million in 2005 — up 47 percent over 2004. Spurring that growth, says Barbour Chief Operating Officer Loren Monroe, was the firm’s expanding international practice, which began in late 2004 with the arrival of former U.S. Ambassador to India Robert Blackwill. “Our international work grew the fastest — 32 percent,” says Monroe, who adds that four of the firm’s 15 lobbyists work for foreign clients. But the firm’s other numbers were way up, as well. Its LDA fees alone grew by $4.6 million in 2005. “We’re beefing up in the sense that we’re focusing on what people call practice areas, with people that have specific expertise,” explains Monroe, who identifies financial services, health care, and telecommunications as among the areas the firm is targeting.

Elsewhere on the list, Quinn Gillespie & Associates continued its upward climb, posting a 12 percent jump in revenue. “Every year it’s like, ‘Holy cow, how are we going to grow this thing 10 or 15 percent more?’ ” says Vice Chairman Jeffrey Connaughton, reflecting the pressure felt by many K Street principals.

Down slightly from last year is the newly bipartisan Federalist Group, which saw its revenue drop by 4 percent, principally due to the departure of long-rostered lobbyists Rick Alcalde and Pat Cave. The firm still managed to gross $13.8 million, or more than $1.1 million in revenue per lobbyist. “All I look at is profitability,” says G. Stewart Hall, the Federalist Group’s president.

Also turning in subpar years were the Clark Consulting Federal Policy Group and the MWW Group, the only other two nonlaw lobby shops to show a decline in revenue. In both cases the drops were sharp; Clark Consulting was off by 23 percent (although its $1.6 million in revenue per lobbyist remains the highest among nonlaw lobby shops). “We only have seven people, and one person retired at the end of [2004],” says Ken Kies, Clark Consulting’s managing director. Kies was referring to John Meagher, whose position Clark hasn’t filled. And this vacancy accounts for most of the firm’s revenue drop, according to Kies. “Most of the exponential growth you see is people hiring people,” says Kies. “There aren’t that many people that you want to hire for what we do — fairly specialized technical tax expertise.”

MWW experienced similar declines. It added two lobbyists but nevertheless saw its revenue tumble by 18 percent. William Morley, the managing director of MWW’s Washington operation, attributes most of the drop to the loss of longtime Director Jonathan Slade, who left to join the Cormac Group. “There was some downward movement in the first part of the year,” notes Morley. “Anytime you transition you have that.”

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TOP LOBBYING FIRMS Nonlaw firms that earned more than $7 million in 2005		
	Firm (2004 Rank)	2005 Revenue
1	Dutko Worldwide (3)	$33.3 M
2	Cassidy & Associates (1)	$31.4 M
3	Van Scoyoc Associates	$27.4 M
4	Barbour Griffith & Rogers	$21.9 M
5	PMA Group (4)	$19.1 M
6	Quinn Gillespie & Associates (10)	$15.6 M
7	Livingston Group (12)	$15.2 M
8	Carmen Group (5)	$15.1 M
9	BKSH & Associates (8)	$14.9 M
10	Federalist Group (8)	$13.8 M
11	PodestaMattoon (13)	$13.3 M
12	Alcalde & Fay	$12.5 M
12	Washington Council Ernst & Young (14)	$12.5 M
14	Washington Group (16)	$11.8 M
15	Clark Consulting Federal Policy Group (5)	$11.5 M
16	Blank Rome Government Relations (22)	$10.3 M
17	MWW Group (15)	$9.5 M
18	Wexler & Walker Public Policy Associates (20)	$9.4 M
19	Clark & Weinstock (17)	$9.3 M
20	Ferguson Group (26)	$9.2 M
21	B & D Consulting (28)	$8.7 M
22	American Defense International (29)	$8.5 M
23	National Group (25)	$8.4 M
24	Timmons and Co. (23)	$8.2 M
25	American Continental Group (26)	$7.7 M
26	Alpine Group (—)	$7.5 M
26	Cornerstone Government Affairs (31)	$7.5 M
28	Copeland Lowery Jacquez Denton & White (—)	$7.2 M
29	Fierce, Isakowitz & Blalock (32)	$7.1 M
To qualify for the list, firms must have had more than $2 million in Lobbying Disclosure Act filings during 2005 and $7 million or more in overall lobbying fees.		