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View from the mid-sized firm

By David T. Brown

The last 18 months have presented an unusual mix of dynamics leading to the resurgence of the mid-sized law firm. Despite predictions of their demise as recently as three years ago, many mid-sized firms today are thriving and even outperforming their “Big Law” counterparts. In this column, I will examine the reasons behind the success that many mid-sized firms are experiencing, and what needs to happen for the momentum to continue.

Long before the recession hit, mid-sized firms made their mark by providing senior-level talent — combined with an intense focus on client service — at more competitive rates than larger firms. What’s more, mid-sized firms took a highly efficient approach to staffing matters in order to keep billings reasonable and clients happy. This model has long been the foundation of success for many mid-sized firms, and it has always attracted a significant number of loyal clients.

When the economy began its downward turn in late 2008, this approach started looking better and better to companies large and small — as well as attorneys hoping to find the right environment in which to practice. Even large public companies began to reexamine their habitual reliance on megafirms, and started turning to smaller alternatives to help cut outside-counsel costs. Big Law attorneys who found themselves jobless — or looking for a change — also began turning to smaller firms.

What they discovered — in addition to the efficiency formula described above — was an abundance of client-focused

approaches that proved highly appealing, especially during an economic downturn.

For example, mid-sized firms have always insisted on getting to know their clients’ businesses inside and out. This may sound obvious, but it is actually hard to find lawyers who are willing and able to embrace this approach.

The most successful attorneys take the time to visit their clients’ offices, shop floors and trade shows. They talk regularly with their clients not only about

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legal matters, but also about broader business and economic issues affecting them. Oftentimes, this is done completely off the clock.

As a result, these attorneys know their clients’ companies and industries well enough to serve as both legal counsel and trusted business advisors, which is especially valuable during difficult times. Let’s face it: The highest-billing attorneys in the largest law firms face internal pressures that make it difficult to take time off the clock to invest in their clients’ businesses on this level.

Also during the downturn, mid-sized firms were able to be significantly more nimble than most of their Big Law competitors. For example, many found new ways to utilize their attorneys’ capacity in a manner that helped clients weather the storm, including some unusual offers, such as “embedding” attorneys periodically at client sites.

This approach allowed company leadership, in-house counsel and others to take advantage of a dedicated onsite adviser who could answer questions and address immediate legal opportunities and challenges — all free of charge.

In other cases, attorneys at mid-sized firms reinvented themselves to meet the needs of the day. For example, real estate attorneys who were accustomed to doing property deals became workout specialists. Pursuing these kinds of options is clearly easier in mid-sized firms due to their inherent flexibility and minimal bureaucracy.

In addition, some mid-sized firms found that emphasizing their commitment to independence — especially in light of the merger trends earlier in the decade — played a key role in both recruiting and business development. To many, independence translates to security, predictability and stable fee structures — all highly desirable traits for clients and attorneys alike.

It is interesting to note that last year saw upward trends in lateral hiring at several mid-sized firms, despite the overall down market. For example, according to Chicago Lawyer, 55 percent (16 of 29) of Chicago firms with 54 to 132 attorneys increased headcounts in 2009, with five of those firms growing by at least 7 percent. In comparison, according to Crain’s Chicago Business, all but one of the area’s 25 largest firms shrunk in 2009, with eight of them decreasing attorney headcounts by 15 percent or greater.

This is due in part to the fact that, when merger mania was in full swing, countless small and mid-sized firms found themselves gobbled up by larger firms.

Post-merger, attorneys from the smaller firms, along with their clients, were faced with rising rates and frequent conflicts — a “choose-and-lose” situation for both. In that environment, the independent, mid-sized firm offered — and still offers — an attractive alternative where attorneys could continue their client relationships at competitive rates and avoid other negative repercussions of this trend toward “gigantism.”

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Where do we go from here? In order to sustain the momentum built in 2009, midsized firms must further solidify their position as the right choice for clients. This can be done if we concentrate on a few key touch points that really make a difference:

- Engage in real dialogue with your clients, and do it off the clock. Taking extra time to provide business insights and creative ideas to help your clients succeed will go a long way toward deepening those relationships.
- Find new, innovative ways to deliver value. Merely holding the line on fee increases isn't enough. Clients today want to discuss new approaches to billing — including flat rates, increased flexibility and other alternatives.

- Redouble your commitment to efficient staffing. Clients don't want two partners working on a matter that one excellent associate could handle at a fraction of the cost.

- Make sure your junior people are extraordinary. Nurturing outstanding young attorneys — who can be assigned to matters judiciously, overseen effectively by senior partners and billed at reasonable rates — will be a key to client satisfaction in the coming years.

- Consider whether your firm has evolved in a client-centric manner during the last two years. If it hasn't, explore ways in which you can become more of a partner than a service provider to your clients.

- Be responsive and available. Client service is now at a premium, and patience for mediocre service is at an all-time low.

- Educate your clients. Keep them informed about new developments in the law and in their industries. Show your understanding of the business sensitivities they face, along with developments on the horizon that they need to heed.

In future columns, I will continue to examine trends affecting midsized firms, as well as strategies for winning in today's marketplace. Most importantly, I will discuss how law firms of every size can best help clients meet their business challenges and maximize opportunities by becoming a partner for success.