

LAW.COM

Select '**Print**' in your browser menu to print this document.

Copyright 2009. Incisive Media US Properties, LLC. All rights reserved.

Page printed from: <http://www.law.com>

[Back to Article](#)

For Midsize Firms, Opportunities Abound

Zack Needles
06-01-2009

Editor's note: This is the fourth article in a weekly series from The Legal Intelligencer examining the lasting effects of the economic recession on the legal industry.

While internal changes are few and far between at midsize firms, the world outside is morphing into a land of opportunity.

Big firm lawyers and their big corporate clients are both on the hunt for better value and, more and more, they're setting their sights on smaller, regional firms.

Many midsize firm leaders and legal experts said this shift could lead to permanent changes in the legal landscape as midsize and smaller firms gain more footing in markets previously cornered by megafirms.

Jeff Coburn, managing director of Coburn Consulting in Boston, said right now is a "renaissance" for midsize firms that will not only raise the best and brightest midsize firms to a new level but will also result in a thinning of the herd.

SMALLER FIRMS, BIGGER CLIENTS

According to many in the legal community, even some of the largest corporations are stepping out of their megafirm comfort zones and bringing significant matters to smaller regional firms.

"I think with in-house counsel being required to cut costs, some of them realize that there are some very high quality regional firms that can save them significant hourly dollars," said Maury B. Reiter of Kaplan Stewart Meloff Reiter & Stein in Blue Bell, Pa. "As opposed to being patronized at times [by large corporations], we're actually being looked at as a real potential competitor for the business they're handing out."

Kevin F. McKeegan of Meyer Unkovic & Scott in Pittsburgh said he has noticed an increase in the big firm work coming his way.

"We are certainly getting a lot more looks for big ticket litigation than we did before and I don't know if that's just [a

product of] being in Pittsburgh and things are happening, but we're certainly seeing that," he said.

Louis J. Rizzo, managing partner of Reger Rizzo & Darnall in Philadelphia, said he believes the struggling economy has "accelerated or perhaps highlighted" clients' search for value, a phenomenon he believes was already starting to happen before the market nosedived.

"Clients are either unwilling or unable to keep up with upward pressure on rates," he said.

Coburn said right now signifies a "paradigm shift" for both large and midsize firms.

"Larger firms are going to be redefined in what they can and cannot do and what's affordable," he said, adding that the current industry climate offers a "great opportunity for the so-called midsize firm to define itself for the long run, not just because it's an economic recession."

So it seems some big corporations with big-time work are looking in the direction of midsize firms. The challenge for those firms, he said, is figuring out how to be seen.

Without megafirm brand recognition on their side, many quality midsize firms end up flying under the radar of big corporations.

But when these clients that are so used to working with huge firms do find a compatible midsize match, "they're asking the question, 'Where have you been all my life?'" he said.

Coburn said a midsize firm looking to make a name for itself should first narrow its focus.

"Clients are looking for depth, expertise. They want specialization," he said, all of which are things megafirms can offer because of their size. "When you're a midsize firm, you cannot offer everything in sufficient depth to be competitive."

What you can do as a midsize firm, he said, is master one or a handful of practice areas and make that your claim to fame.

A good boutique can offer the same depth and expertise a megafirm can in a given area but can do it at much lower rates and often with much better service, Coburn said.

And from that, he said, a brand can be born.

However, Coburn admitted that the notion of midsize firms paring down their practices to only a few specialties "flies in the face" of the one-stop shopping that megafirms offer and that many in-house counsel seem to prefer.

As a client, using a different midsize boutique for each of your separate legal needs is "going to require you have an awful lot of firms working for you," he said, but it will also save you from having to farm out "\$300-an-hour work to firms that are charging twice that much."

And saving money doesn't even always require the client forge a relationship with a new midsize firm.

David M. Kleppinger of McNees Wallace & Nurick in Harrisburg, Pa., said his firm has actually been able to attract more work from existing clients that are looking to cut their legal spending by 10 percent or 15 percent.

Kleppinger said his firm has been able to demonstrate to those clients that it's actually cheaper to give the firm more work at its standard billing rates than it is to continue farming it out to a megafirm.

"We've been a beneficiary to that extent," he said.

HITTING 'THE SWEET SPOT'

Joel A. Rose, of Joel A. Rose & Associates in Cherry Hill, N.J., said most in-house counsel are still inclined to send their biggest, bet-the-company work to the gigantic firms with the household names.

That way, win or lose, no one can say they should have hired a better firm.

But as more big companies kick more and more important matters to midsize firms in the interest of value, will the

megafirm eventually become obsolete? Not likely, said Kleppinger.

"I would say that's probably doubtful, just because of the magnitude of resources that have to be dedicated exclusively to those size cases," he said. "[Large firms] can assign a dozen, two dozen lawyers to those cases exclusively. When those cases disappear, all of a sudden they're in layoff mode." Kleppinger said a firm like his doesn't have the capacity to staff a case that way, nor would it want to hire lawyers to work on a case just to let them go when the case ends.

Coburn agreed that megafirms aren't going anywhere, but said bet-the-firm work accounts for only about 20 percent of a company's overall legal needs and routine commodity work accounts for roughly the same.

It's what's in between that midsize firms should be gunning for, he said.

"That 50 to 60 percent in the middle is the sweet spot," he said.

A SHIFT IN MARKET SHARE

One potentially lasting change more large corporate work could bring to midsize firms is a bigger bite of market share, Kleppinger said. The percentage of legal spending that *Fortune* 1000 or *Fortune* 2000 companies are currently devoting to big firms may drop in the future, with midsize firms seeing more of that money, Kleppinger said.

But Kleppinger said it's important for midsize firms to make sure they hold onto their existing clients, even as they reach for bigger, bolder work. "There's no question that it is [a time of opportunity for midsize firms], but I think all of us have to recognize that for every midsize firm there's a somewhat smaller midsize firm that sees a similar opportunity [to obtain] work currently being done by firms like us," he said, adding that his firm has been very open to alternate billing methods in an effort to keep its existing clients happy.

LATERALS FROM BIG LAW

But it isn't only big firm clients that are starting to take more interest in midsize firms; it's big law attorneys as well.

Midsize firm leaders across Pennsylvania said the shake-ups at the megafirm level have resulted in some quality laterals with sizable books of business becoming attainable.

"Lateral acquisition opportunities are outstanding [right now]," said William Pietragallo II of Pietragallo Gordon Alfano Bosick & Raspanti. "We're keeping our eyes and ears open for opportunities."

Rizzo said big firm lawyers are starting to think about moving to smaller firms for the same reason big firm clients are.

"I would say the most significant change has been the ability for us to court and bring on board some partners from some of the larger firms that are sort of responding to what they've been perceiving as this long-standing and continuing upward pressure on rates putting them in the position of potentially losing clients they've spent a career developing," he said.

Relter had a similar take.

"There are some big firm partners who maybe have had it with the politics and the lack of control and are looking to go to a place where they have a little more control and, frankly, the ability to make as much money or pretty close to it [as they did at a big firm]," he said.

Still, he said, he has seen fewer big firm laterals on the market than one might expect and some of the ones that appear to be interested in midsize firms aren't actually ready to adjust to the change.

"We interviewed -- I guess we'll call it a junior partner -- from one of the large firms which recently disbanded," he said. "This person had a book of business of maybe \$200,000 but was making \$350,000 to \$400,000 a year and couldn't understand why he would have to take less pay to come to another firm." But it isn't only large firm partners who are starting to see greener grass on the midsize firm's side of the fence. Coburn said first-year associates seem to be taking a closer look at smaller firms.

"For the lawyers who are coming out of those larger firms, but also those who are coming out of law school, the midsize firm is now a legitimate choice and in some ways a more satisfying choice," he said.

The next installment of The Legal Intelligence series will examine changes in the way corporate law departments are operating in this economic environment and beyond.