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Midsized law firms compete with Big Law for clients and attorneys

Latently it seems as if the legal community has been overwhelmed with discussion about the changes sweeping the industry, what it all means and where the practice of law is headed. For years now, in-house attorneys have been questioning the return on investment in utilizing Big Law firms. The recession accelerated this scrutiny.

As a result, the industry continues to evolve and law firms of all sizes are redefining themselves to tackle new challenges. But one thing seems clear — midsize firms are here to stay, offering and meeting clients' demands for full-service, high-quality counsel at reasonable rates.

Big Law is big business

There is no question that Big Law became big business. The largest firms are now multibillion-dollar, global enterprises with thousands of attorneys. According to an April 18 story in Bloomberg Businessweek, "In 1985, the 50 top-grossing firms had a combined revenue of \$3.4 billion. If their collective top line had increased at the rate of inflation, it would have been the equivalent of \$6.9 billion in 2010. Instead the figure rose to \$48.4 billion."

Many firms have achieved this growth through large mergers, opening multiple offices worldwide and aggressively recruiting top talent, while continually raising billing rates. As a result, profits-per-partner — the inwardly focused measure of Big Law success — rose to unprecedented heights.

In a Sept. 25 New York Times article, "Big Law Steps In to Uncertain Times," Andrew Ross Sorkin points out that this obsession with profits "arguably led to a dangerous race among firms that left clients as a second priority."

Changes in the landscape

Of course, the recession brought much of this growth to a

screeching halt, as the sudden decline of the economy forced clients to cut legal spending and demand lower rates. Consequently, Big Law firms found themselves overstaffed and under-utilized. In an April 2012 article titled "The Death Spiral of America's Big Law Firms," The Atlantic wrote that "firms built unsustainable business models that survived off the froth flying from Wall Street ... companies are simply (no longer) willing to spend as much on lawyers."

As the mounting pressure to cut costs continues, many companies that historically used big firms have brought more work in-house and/or increased their use of inexpensive legal outsourcing firms and contract attorneys.

Sorkin posits that a "sweeping transformation may be on the horizon," one where a business model based on commoditized legal services becomes the norm.

Unfortunately, in this scenario, clients pay the ultimate price — compromised quality. In September, Joe Altonji said in Crain's Chicago Business, "Like it or not, the industry is moving away from trusted advisers, which lawyers like to call themselves, to providers of services."

Altonji finds no fault with this trend, saying it just means greater efficiencies. But he misses the point. What it really means is that attorney-client relationships could suffer irreversible erosion. It does not, however, have to be that way. Much of the media frenzy about the challenges faced by Big Law neglects to point out a solution that many savvy clients (of all sizes) have known about for decades.

Midsized firms thrive

Considered all but dead just 10 years ago, the midsized firm has actually been thriving. Many companies are turning to midsized firms for the first time and enjoying the value that these firms

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bring. Even global public companies now parcel out projects to midsized firms. This is often work that in the past was the exclusive domain of Big Law because midsized firms were not considered a "safe" choice. But more clients are finding that, when measuring economics, service levels and talent, midsized firms often make better sense than their Big Law counterparts.

At the same time, the definition of "midsized" is changing. Many midsized firms are becoming closer in size — and in service breadth — to what was considered big in the 1990s. These firms broadened their bench strength, in part by attracting Big Law refugee laterals looking for a place to keep billing rates competitive and client relationships secure.

They have become more sophisticated and more full service, offering legal niches that used to be offered only by big firms or small boutiques — such as intellectual property, securities or environmental law. In addition, as clients go global, midsized firms can easily accommodate their needs without a costly global infrastructure of

their own, by tapping into international alliances of firms with similar capabilities and approaches. The referring law firms do not share revenue; they share a purpose of great service to the client.

Client-driven growth

There is an important distinction to the current growth of midsized firms — it is client-driven rather than profit-driven. Simply put, midsized firms continue to bring more value to their clients by delivering sophisticated levels of service and work product at lower costs than larger firms. And this is the fundamental way in which midsized firms have not changed.

By evolving to meet client needs rather than to drive profit, midsized firms focus on the importance of being "trusted advisers." Clients will always value an attorney who is accessible and responsive 24/7 and provides proactive advice, including business counsel that goes beyond legal issues. Successful midsized firms rely on and nurture these close relationships, ensuring regular interaction between client and attorney and always keeping clients' needs in the forefront.

In addition, midsized firms provide a solid value proposition by keeping rates competitive, leanly staffing matters and remaining nimble. The ability to make decisions quickly and act in the best interests of clients is paramount to these firms' continued success.

Despite predictions of its demise 10 years ago, the midsized firm is not only here to stay, but plays an increasingly vital role in serving clients of all sizes.

Midsized firms may continue to evolve, but they will also continue to offer something that should never change: High-quality counsel that is far less expensive than Big Law. In this way, the midsized firm has now become the redefined fulcrum of the legal industry.

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