

As Big Four's Entry into Legal Market Looms, Small Firms Should Consider Their Options

Competing with the Big Four accounting firms has become a fact of life in the legal industry outside the United States. Yet, ethics rules have shielded the U.S. legal market from the entry of Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers, as these guidelines generally prohibit so-called non-lawyers from owning law firms.

Not surprisingly, however, the accounting behemoths are beginning to find workarounds that enable them to [access the U.S. market](#). Smaller law firms should be mindful of what the implications of this trend are for their own futures.

For example, the announcement in June that Deloitte's UK arm had formed [a strategic alliance](#) with U.S.-based immigration law firm Berry Appleman & Leiden. Under the arrangement, Deloitte Global acquired the law firm's offices outside the United States, which include practices in Australia, Brazil, China, Dubai, Mozambique, Singapore, South Africa and the UK. Deloitte's U.S. entity is not a party to the deal, a key to making it work under ethics rules.

Meanwhile, alternative legal service providers (ALSPs) have attracted the attention of the Big Four as acquisition targets. In August, [Ernst & Young acquired UK-based Riverview Law](#), which offers legal services and technology. The transaction prompted speculation that Ernst & Young's peers would soon join it in the ALSP sector, which is projected to grow significantly over the next decade and wrestle a growing share of work from law firms.

At this point, it seems certain that the Big Four's toehold in the legal world [will only grow](#). While that sense of inevitability has led to questions about what the biggest U.S. players will do to combat the encroachment of the accounting firms, other observers suggest that the bigger bite could come out of the business of small and medium-sized firms.

[Regional law firms](#) could be particularly vulnerable to the accounting shops because the Big Four have developed their reputations in smaller markets over time. The accounting firms also possess some advantages in terms of scale and operating efficiencies that independent practices can't match. Additionally, the Big Four are more likely to specialize in areas such as labor and employment law—those are more the stock-in-trade of smaller firms.

Practices seeking to position themselves for success when the Big Four enter the market now have a variety of strategies at their disposal. One option: Build strength in numbers. This can be accomplished through participating in legal networks to obtain referrals.

Smaller firms should also assess where they can gain operational efficiencies. That could mean implementing new technologies to streamline everyday work activities such as research and document review.

Specializations also offer practitioners opportunities to establish strongholds in their markets. This would involve drilling down even further into an area of expertise to create a niche in the marketplace. It might be targeting a very specific segment of the local clientele. Alternatively, practitioners may focus on becoming a go-to resource on a highly specific subject within a corner of the law that is relevant to their market.

Whatever the case, the steps that independent firms take now can help prepare them for the day when they find themselves competing with the accounting giants for business.

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