# The Sustainability of Midsize Firms: Surviving the Big Law Invasion

Over the last decade, small and midsize law firms have grappled with industry consolidation—primarily Big Law firms moving into their neighborhoods. According to data from Altman Weil, there were 106 law firms acquired in 2018, and overall the year saw a record pace for Big Law mergers. A whopping 80 percent of firms acquired were those with less than 20 lawyers—small law firm acquisition has long been a common growth tactic for Big Law firms seeking to expand into niche practice areas or new geographic regions. ALM® Intelligence statistics reinforce this trend, reporting that the United States' largest 250 law firms have nearly doubled their geographic coverage in just 17 years—from 2001 to 2018.

As Big Law wraps its tendrils around more and more market share, what's a midsize firm to do? Can midsize firms hum along successfully in the presence of these Big Law giants, or will merger mania and market consolidation get the best of them?

## BIG LAW CAN AND WILL COME AFTER YOUR TALENT

As any smart law firm leader knows, a firm is only as good as its talent. When Big Law firms expand into a market, they often begin by headhunting local partners. Typically, Big Law also likes to target the midmarket for associate recruitment; but if you think your non-attorney staff are safe, think again. Law firm staff are also susceptible to the larger paychecks offered by Big Law, evidenced recently by Fox Rothschild snatching up the chief business development officer at midsize Philadelphia firm, Klehr Harrison Harvey Branzburg LLP, and bringing her on as chief marketing officer.

The Houston legal market offers a strong case study of Big Law moving into new territory and poaching local talent: from 2001 to 2018, there was a 135 percent increase in the number of NLJ 250 firms with offices in Houston, and as a result, the city's eight leading local law firms lost 390 partners to lateral departures.

Losing valuable talent often leads to losing valuable clients—something that is a risk for all law firms. Unfortunately, this is an even bigger problem for small and midsize firms with smaller margins for error. It's paramount that midsize firms make it a priority to retain attorneys and staff, particularly when there's a new giant in town with a bigger wallet and deeper resources. It's important that attorneys and staff feel valued, heard, respected and fairly compensated. Big Law firms that enter new markets are almost certainly going to seek out local talent to poach for their own gains—but if you treat your talent right, you reduce the odds of them taking the carrot.

## INCREASING PROFITABILITY

As Big Law firms have aggressively expanded their reach, regional legal markets have become much more competitive over the last decade. Losing market share, while not ideal, does not necessarily mean gloom and doom for midsize firms. Profitability can still be grown, even when market share is hard to come by.

Some smaller firms are seeking to accomplish this by narrowing their service offerings, i.e., offering expertise on niche legal issues that draw clients from around the country. While Big Law firms may have the breadth and resources, midsize firms that specialize in a few key areas will be highly sought after by clients looking for experts in those matters. It is for this reason that Big Law is already feeling the pinch from the other direction as well—small groups of Big Law attorneys increasingly breaking away from their large firms to launch specialty boutiques.

Another, more obvious way to retain clients, is by maintaining a more palatable fee structure than larger firms in the area. Maintaining low overhead costs can be the best strategy to this end, though there are many other avenues. Flexible pricing, such as flat fee projects for select services, is also an increasingly popular strategy that Big Law firms may not be able (or need) to offer.

Finally, really working to understand your client's business as a whole can go a long way—if clients feel that you are not only a legal expert, but a legal expert who can see their company in relation to the big picture and their long-term goals, they are more likely to recommend your firm to others—and less likely to be tempted by shiny newcomers.

## STANDING YOUR GROUND WHEN BIG LAW ENCROACHES ON YOUR TERRITORY

Whatever your business strategy looks like, it's best to have it in place before it's needed and start using it now as a best practice. Should Big Law come knocking at your door, you'll be ready. Below are some ideas to consider as you start thinking about your sustainability strategy in the face of Big Law expansion.

- Maintain palatable fee structures. This will automatically make you more appealing than bigger, pricier firms. Run your firm lean, like a business, and resist the urge to get "fat and happy" during the good times.

- Set yourself apart by becoming an expert in your client's business. Learn about your client's business holistically, so that you understand everything they deal with on a daily basis, not just the matter at hand. That way, you are at the ready when they need something. Think of every project as an audition for the next one.
- Treat your staff well. A recent story in the news depicts Louisiana-based midsize law firm Preis PLC that sued a former employee for leaving her job before her 3-year employment contract was up. Don't do that.
- Zero in on those practice areas in which you already excel to avoid being spread too thin: a good tactic is to retreat from non-core practices, and instead invest time and talent into core practices that your firm is already good at. Becoming the expert in a few key areas can set you apart from the big firms that have a million practice groups.







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