How to Be Ambitious While Avoiding the Midsize Firm 'Identity Crisis'

Given how radically the business of law has changed over the past decade, it can be tempting to measure midsize firms' success by how much market share they've been able to snatch from their larger or richer counterparts. But neglecting the mid-market client base your firm was built upon in the pursuit of "higher-end" work can be a dangerous proposition.

By Zack Needles | January 31, 2019

Illustration by Wavebreak Media LTD

Editor's Note: This is the fourth installment in a multi-part series looking at how demand for midsize firms has changed in the decade since the Great Recession first took hold and how those firms are positioned for the future. The first installment can be read here, the second installment can be read here and the third installment can be read here.

Earlier this week, in a presentation given at ALM's annual Legalweek conference in New York, Nicholas Bruch and Erin Hichman of ALM Legal Intelligence described a legal industry that's increasingly splitting into two segments—"bet the company" and "run the company."

Most midsize law firms—really, most law firms—would fall squarely into the latter category. But the quest for more "high-end" work, often from larger institutional clients, can sometimes blur the line between ambition and delusion, firm leaders warned.

"That's one of the mistakes midsize firms make," said Marc Hamroff, managing partner of 70-lawyer Long Island firm Moritt Hock & Hamroff. "You have success in the mid-market and you say, 'Let me go compete with the 1,000-lawyer firms.' That's where they lose their core. We're not chasing the largest companies in the world if they don't fit with our core and space."

In a report issued by Georgetown and Thomson Reuters at the beginning of this year, James Jones, a senior fellow at the Center for the Study of the Legal Profession at Georgetown University Law Center, cautioned mid-tier firms about straining to compete with wealthier firms that can afford to charge higher rates and pay higher associate salaries.

"We do not have one market for legal services anymore," Jones said in an interview with The American Lawyer. "A lot of people have a really hard time being honest about where their services fall because the vast majority of American law firm services are in that big middle. And I've never met a lawyer who didn't like to think that he or she performed brain surgery. But you know, there just aren't that many big brain operations going on that clients are paying for."

Still, given how radically the business of law has changed over the past decade, it can be tempting to measure midsize firms' successes by how much market share they've been able to snatch from their larger or richer counterparts.

But while every law firm leader interviewed for this series said the economic downturn opened doors to relationships with larger clients and offered opportunities to compete in a space that was previously the exclusive domain of Big Law, nearly every one of them was also quick to add that those new endeavors did not supplant or detract from their existing mid-market client base.

Bob Baradaran, managing partner of Greenberg Glusker, which has about 100 lawyers and a single office in Los Angeles, said his firm's clientele is a mix of high net worth individuals, large institutional clients and mid-market companies, with the mid-market companies accounting for the largest portion.

The firm's leverage model and low overhead are what allow it to serve that eclectic base, Baradaran said, which is why he sees little reason and has little desire to drastically expand Greenberg Glusker's head count and geographic footprint in the coming years.

"I think a lot of midsize firms are being run more like the national firms," he said, describing smaller firms with lopsided associate-to-partner ratios needlessly spread across multiple offices and disparate practice groups. "Many of them are just smaller versions of the national firms. I sometimes call us a full-service boutique. We don't sell ourselves as being the same as a national firm, we don't try to operate like that. The best advice I can give is, 'Know what your model looks like and just be laser-focused on that.'"

Moritt Hock's Hamroff said the firm recently implemented a three-to-five-year strategic plan aimed at exactly that concept. Executing the plan, he said, requires the firm to "understand what our business is and to what kind of clients we're found to be attractive—and in what industries—and to really focus on that and not try to be all things to all people."

The firm has a wide range of practice areas, from litigation to commercial lending to copyrights, and counts among its industry focuses construction, equipment leasing, promotional marketing and vehicle leasing, along with serving financial institutions, startups and small businesses.

"That's our strategy: focus on our core," Hamroff said. "At the same time, we try to look for growth opportunities."

As a number of firm leaders noted, serving the mid-market and pushing into larger competitors' space need not be mutually exclusive concepts.

"I think it's one issue that midsize firms struggle with," said James Goodnow, president and managing partner of 150-plus-lawyer Fennemore Craig in Phoenix. "I think particularly in today's times, with the volatility in the market, some midsize firms are having an identity crisis. They're saying, 'Do we want to go after the Fortune 500 and 100 companies and spend the time and expense to do that or do we want to go for the closely-held businesses?' I think the answer has to be both."

Recognizing that, depending on context, a "midsize law firm" can be anything from from 50 lawyers to 500 lawyers, Paul Hughes, managing partner of 150-lawyer New Haven, Connecticut-based Wiggin and Dana, said he prefers to define the term as any "firm of size and quality that clients will trust with sophisticated, important work."

And just as pushing too hard to keep up with the Big Law Joneses can be a dangerous proposition for midsize firms, so can settling for "too much low-cost, competitive, rote work where the only difference [between firms] is price," Hughes said.

"You can do that, but that's a recipe for shrinking profits, which over time leads to a shrinking talent pool," he said. "You have to have the discipline to do less of that and not chase revenue for the sake of revenue."

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