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Midsized Firms Face Growth Challenges

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Of the Legal Staff

The midsized-firm model has refuted several predictions over the years that it would eventually become obsolete and is currently enjoying something of a renaissance in the wake of an economic downturn that sent both in-house counsel and megafirm lawyers scrambling for lower rate structures.

But how do midsized firms grow without sacrificing what made them attractive in the first place?

“The question is: Where is that breaking point?” said Chester R. “Chip” Babst III, managing shareholder of Babst Calland in Pittsburgh. According to Peter R. Spigel, managing shareholder of Cherry Hill, N.J.-based Flaster Greenberg, the key is knowing who you are and what you want to be.

“Midsized firms fall into two different categories,” Spigel said. “There are what I’ll call the ‘wannabes’ — they want to be something else.” According to Spigel, those firms may aspire to become a national or even global practice handling top-tier work for large institutional clients.

The other type of midsized firm, Spigel said, is the niche firm that aims to be the go-to outside counsel for middle-market clients, while handling more specialized work for larger clients.

Spigel said Flaster Greenberg, as a commercial business firm, falls into the latter category.

“Our growth objectives are to add people either through organic growth or through laterals to fill strategic needs and only strategic needs,” Spigel said. “We’re not really looking to add another 100 great lawyers.”

While his firm recognizes that it will need to expand, either because attrition necessitates it or because a busy practice requires deeper bench strength, Spigel said it’s not interested in merging with a 70-to-100-lawyer firm to achieve growth in bulk.

“I don’t think you make more money necessarily by having more attorneys,” Spigel said. “There is not much economy of scale in the practice of law.”

Spigel said his firm has no interest in trying to grow large enough to be considered the “safe choice” to handle bet-the-company work for huge companies.

“I don’t think there’s enough of that work to go around for all the firms chasing it,” Spigel said.

Boston-based legal consultant Jeff Coburn had a similar take.

“With size comes a lot of opportunities but you lose the advantage of the midsized sweet spot,” Coburn said.

Midsized firms hit that “sweet spot” when they learn to focus on doing a handful of things really well, rather than spreading themselves too thin over too many different practices, according to Coburn.

Spigel said Flaster Greenberg’s aim is to be viewed as a “very

high quality regional firm” that can do specialty work for big clients and handle larger work for middle-market clients.

With that in mind, Spigel said that while seeking out lateral hires and new clients is a necessary part of growing as a firm, midsized firms should be equally as, if not more, focused on trying to mine more business from its existing client base.

“Anybody that tells you otherwise is crazy,” Spigel said. “Your best source of work is your existing clients — doing more things or different things for them.”

Babst agreed, noting that a firm that seeks to build its business without utilizing its existing lawyers and client base risks becoming “a stagnant organization.”

“I think if you just look at laterals as being your saving grace you’ve probably identified yourself as a failing firm in my opinion because you’ve given up on your group,” Babst said.

Of course, none of this is meant to diminish the important role lateral hiring plays in midsized-firm growth.

Attorneys whom *The Legal* spoke to all said that when it comes to growing headcount, midsized firms all must strike a delicate balance between healthy growth and bloat.

Babst said his firm recently broke the 100-lawyer threshold and has had to be smart about maintaining the culture it has always had; one where all the lawyers in the firm know each other and work together.

Without that culture, according to Babst, “all you have is a practice of 100 sole practitioners.”

“There may be a point where it’s at 150 or 175 where it really becomes overwhelming,” Babst said. “It’s been our goal never to get to that point.”

Babst said his firm has been conscious of making sure its attorneys don’t become too siloed within their own practices.

The firm achieves this in part through monthly and quarterly meetings designed to highlight different practice areas.

But there are other, more subtle ways the firm seeks to help its attorneys get to know each other, such as a program that is designed to randomly bring two lawyers together for lunch so they can get acquainted on both a professional and personal level.

While two lawyers sharing a meal may not seem, on the surface, to have much to do with how a firm operates as a business, Babst said maintaining a collegial culture is essential.

As firms continue to grow their headcounts, Babst said, they have to constantly be thinking about how to remain cohesive.

So, for example, when Babst Calland brought aboard 16 energy lawyers from Tucker Arensberg in November 2011, integrating them into the firm was “a huge undertaking” that required extensive planning and the willingness by the firm’s existing attorneys to welcome them into the fold, Babst said.

Figuring out how to grow without sacrificing identity is not a problem that is unique to mid-sized and smaller defense firms.

Sam Pond, head of Philadelphia-based workers’ compensation and Social Security disability plaintiffs firm Pond Lehocky Stern Giordano, has faced that challenge over the past three years since he and a group of five other

attorneys split off from Martin Banks Pond Lehocky & Wilson.

Pond Lehocky has since grown to 20 lawyers and is one of the largest firms of its kind in Pennsylvania.

Pond said the firm has had to be careful not to let that rapid expansion erode its commitment to client service, perhaps the most important ingredient for a successful plaintiffs firm.

Pond said his firm trains its lawyers to work together and support each other in such a way that makes devoting the necessary attention to each matter in a large caseload more manageable for each attorney. According to Pond, the key to fostering a culture of teamwork and service is bringing on the right people to begin with.

Pond said he’s “very, very particular” about who he hires.

Similarly, Babst said his firm begins interviews with prospective hires by asking questions aimed at gauging how well the candidate is likely to fit in at the firm.

According to Babst, cultural compatibility should be the number-one consideration, even above the book of business a lawyer may potentially bring to the firm.

An attorney who doesn’t work well with others or who does not share the same strategic goals as the rest of the firm can be toxic, Babst said.

“Particularly in a mid-sized firm, it’s just so much more glaring,” Babst said. “You’re not this behemoth organization. If [a lawyer is] not in sync with what the firm is doing, it’s too obvious and too disruptive.”

Coburn agreed, saying the most effective mid-sized firms operate like teams, working together under the direction of strong leadership.

That approach is infinitely more worthwhile in the long run than simply relying on a few rainmakers, Coburn said.

“You bring in an 800-pound gorilla type [attorney] and that person’s racking up a lot of money and keeping a lot of paralegals busy but where’s it going?” Coburn said.

Spirgel said he believes mid-sized firms should be doing more to promote their cultures and business models as selling points to potential laterals, particularly those who may have become disillusioned with life at a megafirm or who feel they’ve outgrown their small or solo practices.

“I think mid-sized firms, ours included, are not doing a good enough job of conveying the message to lawyers out there as to how attractive their platforms can be for the right practice,” Spirgel said.

According to Spirgel, there is a “substantial number of attorneys at smaller firms that could really benefit from a multispecialty mid-sized platform and there are a bunch of lawyers at large law firms who should not be there” because their practices are not compatible with those firms’ national or global business models.

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