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Midsize firms offer stability, flexibility to attorneys and clients

By Amanda Robert

James Komie started his law career as a summer associate at Mayer Brown, but he quickly decided that a large-firm lifestyle wasn't for him.

He moved to a midsize firm in Washington, D.C., in 1987, and after three years returned to Chicago to work as an associate at Schuyler, Roche & Crisham.

Komie, now president and a shareholder at the firm, said he appreciated that the midsize firm's decision-makers recognized him and his work.

"They could put a face with the name and statistics that they might be reviewing, so they could understand more about me and what I was adding to the firm," Komie said. "Rather than at a firm with many offices nationwide, where they might see someone in Chicago and say, 'What's his deal? Why is he producing this? He's expendable.' At a firm our size, you know people's stories."

Recently, in hiring a partner from a large firm, Komie said, he became more aware of other positive aspects of a midsize firm.

Komie said they provide a "best-of-both-worlds" approach, giving clients the attention they expect from a smaller firm and the experience they expect from a larger firm. Instead of throwing multiple associates on a case and overbilling clients, he said, they deploy partners, who then decide how to staff the matter and bill clients.

"For this attorney, it was really quite different," Komie said. "It was a breath of fresh air for them in terms of just being able to get things done and do it in a way they see fit."

Like Schuyler Roche, many midsize firms break the mold set by large firms by offering stability and flexibility to both their attorneys and their clients.

Midsize firms attract more attorneys, who, during the economic downturn, saw fewer positions and less opportunity at large firms. These attorneys now get the freedom to work on significant client matters at earlier stages in their careers.

Midsize firms also attract more clients during the economic downturn by offering qualities they can't always find at large firms, including alternative-fee arrangements to meet their needs.

Michael Stillman, the managing shareholder at Querrey & Harrow, said his firm targets middle-size and family-owned businesses in Chicago. Their aspirations aren't to become a large international large firm, he said, but to stay the same size and offer new and current clients top-notch work at efficient rates.

"We see companies starting to look at middle-size firms much more, because they realize the quality is there and the rate can be somewhat better for them," Stillman said.

It makes a difference

A few years ago, both attorneys and clients viewed large law firms as safe, since they operated as big companies with more perceived stability.

David Brown, a principal at Much Shelist and chair of the firm's management committee, said midsize firms now appear to be more stable. They make decisions on a local level, he said, and form closer relationships with their attorneys.

"When you're dealing with worldwide offices of 3,000 partners, it's only numbers, it's not people," Brown said. "We saw that time and time again, where big firms were cutting significant numbers of partners."

In spite of the economic downturn, Much Shelist, like many midsize firms, continues to attract attorneys who want to partner with clients and understand their businesses. Brown said when new lateral attorneys join the firm, he takes the time to meet with their clients.

Brown said midsize firms benefit their clients by offering many different alternative-fee arrangements, including fixed, partial contingency and success fees.

For example, he said, for a client trying to buy real estate, the firm could charge a flat fee for required contract work. After the firm's attorneys help the client negotiate a successful deal, they could charge that client a success fee.

Brown said billing should depend on clients' needs. He recommended that attorneys identify those needs by researching their clients' businesses through off-the-clock conversations, visits to their stores and warehouses and discussions with their customers.

He said firms should also engage their clients in conversations about alternative-fee arrangements. He recently sent a newsletter to attorneys that broached the topic of billing.

"The most important thing is being close to our clients, understanding their business objectives and understanding their businesses," Brown said.

Anthony Licata worked at Sidley Austin for 16 years, but left the large firm because he wasn't interested in representing Fortune 500 clientele. He said he had a personal interest in working with entrepreneurs who own their own businesses and developers involved in real estate.

"By and large, those kind of clients can't handle the staffing and cost structure of the big firms," he said.

Licata, now chief operating officer at Shefsky & Froelich, said midsize firms maintain lean staffing on cases to make representation more attractive to clients. He said his firm typically staffs each case with one partner and one associate.

"We're very careful about making sure the client knows who is working on the file and what those lawyers are doing," Licata said. "By and large, we don't have a senior partner, junior partner, senior associate and junior associate on every file."

Licata said midsize firms also avoid getting involved in client conflicts. At Shefsky & Froelich, he said, they try not to meddle in individual attorney practices and allow them to pick their own cases.

At Sidley, he said, if an attorney represented a major client in a particular field, that attorney avoided taking cases that would contradict the interests of that client.

"Some of the larger law firms will not take a client who wants to sue a bank just because the firm may represent large banks and they don't want their large bank clients unhappy," Licata said.

Midsize firms operate differently, he said, because they're not usually dependent on one particular client group.

"In a smaller law firm, we have so much more flexibility to aggressively represent our clients," he said, "because the firm doesn't have to be worried as much about who else might get upset."

Bruce Meckler, the co-chair of Meckler Bulger Tilson Marick & Pearson, manages the 100-attorney litigation firm alongside three other lawyers. Due to the firm's size, he said, they're able to make quick decisions and come up with creative approaches to clients and billing matters.

Like other midsize firms, he said, they avoid staffing cases with multiple attorneys and they offer alternative-fee agreements to their clients.

"The downturn has certainly made corporate America take a much harder look at midsize firms and really at cost," Meckler said. "Cost has obviously become a much more important consideration for clients these days."

Laws of attraction

In recent years, Glen Amundsen said midsize firms have found it easier to recruit top-level legal staff.

Amundsen, the chairman and CEO of SmithAmundsen, said large firms once secured top students from law schools, but after the economic downturn, pressure from clients worried about costs caused those firms to stop or decrease hiring. Midsize firms directly benefited, he said, as young associates looked for alternatives and realized there was greater potential to become involved at an earlier stage there.

In addition to interacting with clients and receiving higher-level work assignments, Amundsen said, attorneys in midsize firms get the chance to build their own practices.

"We spend far more time and effort working with our younger lawyers and young partners to develop their business practice than I suspect occurs in the largest firms where they have a crop of 500 clients that they're already servicing," he said.

SmithAmundsen offers an outside marketing program to its attorneys that helps them develop a practice that's unique to them. Amundsen said one young partner created a sports law and entertainment practice nearly from scratch.

"If you go to large firms, there's always someone doing the same work you're trying to do," Amundsen said. "Marketing abilities become stunted, and it sort of keeps a young person from delving into the same work.

"But everyone feels better about working when they're engaged in something that they think is creative and fun, and that they're doing for themselves."

LeAnn Pope, a partner at Burke Warren MacKay & Serritella and chair of the firm's consumer financial services class-action defense group, said she also noticed that young associates began moving to midsize firms after a few years at large firms. She said these associates spend most of their time doing document review or contributing to a large team on one case and grow disappointed by their lack of experience.

For these associates, Pope said, midsize firms offer hands-on experience with clients and the ability to handle significant legal issues as part of a small team.

"Big firms train young associates very well for the first couple of years in terms of mentoring them and giving them additional support through legal writing courses and moot court cases," Pope said. "But then we get to take advantage of that training, because after two or three years, these young associates need to make a move.

"We provide a practice to these young lawyers that we have seen become much more fulfilling to them than the roles they found themselves playing at the larger firms."

Gary Levenstein, a partner at Ungaretti & Harris and chairman of the firm's corporate, securities and finance group, said many of Ungaretti's lawyers came from larger firms. He said they often dealt with strict practice guidelines and billing rates and wanted the ability to offer more convenient arrangements to their clients.

Levenstein said even though many large firms tried to adopt flexible models after the economic downturn, he compares their efforts to "turning around a battleship as opposed to turning around a speedboat."

"If you are at a large firm, there are committees, approval processes and numerous conflicts, where at a smaller firm it's much more of a streamlined process," he said. "If you can offer a comparable amount of work at a greater rate with greater flexibility, you should be able to compete."

Levenstein said Ungaretti, with 105 lawyers, joined other midsize firms in reacting quickly to the recession.

They made adjustments in various practices, he said, including a heightened focus on the firm's large health-care practice.

He said health care proved to be "recession-proof," illustrating the importance of helping different practice areas flourish when others suffer.

The firm also encouraged its younger associates and partners to become more active in attending association events and engaging in writing and speaking opportunities.

"If they were smart, they took advantage of the downturn to hone their marketing skills and to get out into the community to develop," Levenstein said.

Like many midsize firms, Barack, Ferrazzano, Kirschbaum & Nagelberg offers a high level of trust to its attorneys and very little bureaucracy, said firm partner Sarah Bernstein.

Bernstein said individual partners in each practice focus on their clients and their businesses, and they make their own decisions about billing arrangements and other case matters.

"We have a lot more time to get to know our clients, and that ultimately lets us be more efficient in servicing them," she said. "We don't have a lot of forms to fill out; we don't have a lot of reporting that we have to do internally.

"There are not a lot of meetings to attend, not a lot of people looking over our shoulders."

Bernstein, who joined Barack Ferrazzano in 1991, said the firm experiences low turnover due, in part, to the camaraderie between attorneys and clients.

She said the firm employs 100 attorneys, enabling them and their clients to network with each other.

"I've been working with some of the same clients since I started at the firm," she said. "If it's a transaction-based relationship, I may not talk to them for a year or two, but they always call and they call me.

"I know their business and what they're looking for, and their style. I think that's attractive to clients and also to attorneys."

Assuming risk

Bryan Schwartz said even though midsize firms take many different approaches than large law firms, very few of them break the mold.

Schwartz, founding partner and chairman of Levenfeld Pearlstein, said lawyers exude a herd mentality, refusing to innovate and take risks.

"That's the essence of the problem in this business," he said. "Everyone's just doing the same old thing and expecting a different result."

Schwartz recommended that midsize firms make more of an effort to plan for the future. They need to train younger associates in leadership development programs, he said, so they're prepared to run the firm when offered the position.

Schwartz said until midsize firms eliminate hourly billing, they won't see a fundamental change in their business.

"The law firm business model currently, with hourly rates, essentially rewards inefficiency of time management," he said.

"If you're not efficient, you actually make more money."

Even if firms express interest in alternative-fee arrangements, Schwartz said, they face a big challenge in continuing to make a profit through the better management of their attorneys.

"It's one thing to sign up for a fixed arrangement; it's another thing to manage it to profitability," he said.

Even though clients dislike hourly billing rates, they continue to fall back on the model, he said, partly because they're comfortable with it and partly because they're unaware of the true cost of legal services.

Komie said it's sometimes just as difficult to convince clients that midsize firms really can offer the personal touch of a smaller firm with the sophistication of larger firm.

He recently compared notes with a managing partner of a firm similar in size to Schuyler Roche, and, he said, not surprisingly, they made the same pitch to clients.

"We both are frustrated with the lip service that companies or clients pay in trying to look to other ways of getting their legal needs serviced," Komie said. "They still seem to go back time and time again to the same firms, even though they're not getting the right type of service."

Komie decided that in order for midsize firms to position themselves as the right choice for clients, they need to focus on their people.

"You have to have the right partners or other attorneys out there getting to know the clients," he said.

"More so than in a larger brand-name firm, it's the people that are able to persuade the clients to give us a try. You have to get your people right." ■

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