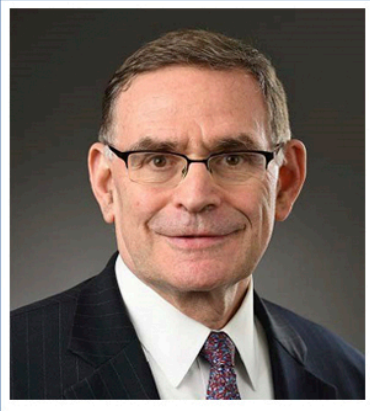


The Future Of Law And The Demise Of The Midsize Firm



By FREDRIC S. NEWMAN

Much is being written about the demise of Big Law and the growth of "lifestyle" law firms in response to millennial demand for work/life balance. The Big Law partnership model of the large corporate law firm is criticized for overworking associates. Clients are no longer loyal. Technology is eating away at the competitive advantage of size. The best and the brightest are fleeing the wood-paneled halls for trendy upstarts. I do not believe that dire prediction is justified.

By Frederic S. Newman

Since 1980, there has been a systemic supersizing of business enterprises, the growth of sovereign wealth, and the emergence of international businesses (also known as clients). To serve globe-spanning clients, law firms that wanted to serve those clients have had to rejigger their business models. Global clients require global firms.

The pressure this new model put on national and regional law firms to follow suit — to go global or go home — was enormous. Suddenly small fish in a very big pond, these relatively large firms struggled to continue to compete directly with global megafirms for top talent and clients at top dollar.

At the same time, there has been a surge of nimble, sharply focused, expert boutique firms, with more client-friendly fee structures and appeal to lawyers choosing to remain as professionals. Led by seasoned and successful practitioners, boutique firms attract former BigLaw and mid-tier partners and practice leaders. Experienced government lawyers with great skills but no clients have joined them. Talented younger lawyers trained at large firms or graduating from clerkships are attracted to boutiques because they generally offer hands-on responsibility to handle matters, direct supervision and mentoring by a senior partner, a recognized platform to develop a reputation in the chosen area of expertise, and much envied client contact. These are firms which do not try to be all things to all clients, choosing instead to be exceptionally good in their specific area of focus.

The progression to global law has significantly changed the law firm culture. Lawyers, who historically considered themselves professionals, today run their firms like corporations and their own practices like corporate executives. There is a maniacal focus on profits per partner and return on investment. In the benighted days of the last century, lawyers who worked their way up to election as a firm partner were dedicated to the firm. Today, long tenures are rare and lateral movement is commonplace. For newly minted lawyers, the promise of a partnership and security after investing seven to 10 years is an illusion.

Clients choose firms based on track record, reputation and the personal qualities of their lawyers. Law grads choose firms based on the promise of a future. Lacking the leverage of reputation and prestige, mid-tier firms have just not been able to compete. They are squeezed from both sides. Without the breadth, depth and reputation of the global megafirms, they cannot compete at the top end. Saddled with high overhead and no longer able to retain top-tier associates, they struggle to compete against the small, elite firms offering global quality without MidLaw or BigLaw overhead and fee structures.

Going forward against this backdrop, we now see the emergence of two distinct law firm models:

1. The global megafirm built to serve global enterprises; and
2. The entrepreneur and elite specialty practices that own a specific expertise and deliver global quality counsel to local and geographically dispersed clients efficiently and cost-effectively.

At our firm, we count ourselves among the second group of entrepreneurial, elite specialty practices. We never aimed to be a big firm masquerading as a small firm. While we do make a good living, we focus on delivering quality service in a professional and collegial environment. We hold the line on fees, workload and expectations. That has been our sweet spot and the secret of our success. We do the things we do very well and very efficiently. We are not a general practice firm. We are not a “lifestyle” firm. Rather, we are a firm of professionals who get the job done and we do whatever is required to generate the right results for each client. Some years are better than others. So what I’m saying is not idealistic. Nonetheless, we are not alone. The number of highly focused, expert boutique law firms is growing.

Fredric S. Newman is a founding partner of Hoguet Newman Regal & Kenney LLP, a New York City-based litigation boutique. The firm focuses on commercial litigation and dispute resolution; insurance recovery litigation and counseling; labor and employment litigation and counseling; white collar defense and governmental investigations; construction law; and intellectual property litigation.