

Business & Careers

Why regional law firms continue to thrive



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The Headhunter

If the media is to be believed, the regional firm's death shall soon be upon us. Unfortunately, its death has been reported for many years now, and yet regional firms continue to thrive in every region of the country (if not the world). These firms continue to post solid profit per equity returns every year, attracting new partners and growing their client mix, despite continued market turbulence.

So why do regional firms continue to thrive, despite increased pressures from

national and international firms on one end of the spectrum, and boutique specialist firms on the other? There are five key reasons to consider.

Local clients, integrated approach: For those clients who require an integrated approach to the delivery of legal services, across a range of practice areas, where their business is strictly limited to a regional interest, regional law firms often remain the platform of choice. For such businesses, there remains a perception the national or international firms represent a higher price point for a similar service offering, while the boutiques may offer more specialized service without the ability to be fully invested in the company's full business interests—this is where the regional firm is at its most persuasive.

Moreover, regional firms often offer the lawyer greater flexibility in adapting to the needs of their client, particularly on rates

where there is less chance of setting a market precedent that might adversely affect other partners of the firm.

Conflicts: As law firms continue to expand, the issue of conflicts becomes an increasing concern, as recent Supreme Court of Canada decisions clearly demonstrate. Regional firms frequently offer a more manageable client mix, giving partners greater latitude in pursuing client opportunities. This is particularly apparent where a partner in a smaller office of a national (or international) firm runs into the considerable conflict map the firm platform might present. Nothing is more frustrating than landing a huge file only to discover a client in a distant office with a significant relationship to your firm limits your ability to bring that work to the firm.

On a related theme, in a market of growing national firm profiles, regional firms have benefited from being a safe harbour if the national firm does not have a local office.

Cost structure: As national firms continue to increase their service offerings in a competitive marketplace, another area where regional firms can prove competitive is in their cost structure.

A number have successfully negotiated impressive lease agreements, often benefiting from a lengthy local tenure and strong relationship with their landlord, and have combined this with leaner operating costs. In many cases, regional firms are able to keep their costs down owing to a lack of national infrastructure.

While there is no guarantee regional firms are necessarily leaner than their national counterparts, at a minimum the spending decisions are generally made closer to home, by a smaller, local group—meaning an individual partner is much more likely to have meaningful input on how the firm's financial affairs are managed.

Local decision-making: Beyond financial decisions, regional firms also afford individual partners a firm where decisions are made close to home. Regional firms may benefit from a partnership where decisions can be made quickly and locally, certainly relative to their national or international counterparts.

With a sizeable local partnership group, regional firms may offer the ability to canvass a wide range of local partners on issues facing the firm and their clients. With a full service firm, this affords the partnership the ability to consider issues from a broad range of perspectives, across a range of practice areas—with the common thread of all partners having a considerable investment and understanding of local market forces. This may present synergies not only for the law firm, but also in advising clients on how best to manage their affairs in light of local market conditions.

Great lawyers: Perhaps the single greatest reason regional law firms continue to thrive is this: they have great lawyers. Despite all the market pressure to “go national” or further specialize with a boutique, the bottom line is there are many great lawyers who choose to make a regional platform their home. For the aforementioned reasons (and others), many great lawyers either begin their careers or move them to a regional platform in order to best serve their clients' needs.

While national or boutique platforms may prove attractive on a number of levels, many clients will note that it's the lawyer more than the law firm that informs their choice of platform.

In the end, regional firms need to recognize where they offer a competitive advantage in the marketplace and leverage these to greatest impact—whether it is with clients so they appreciate the benefit their firm platform truly offers, or with lateral talent who might otherwise consider other platform opportunities. Similarly, regional firms should recognize savvy national, international, or boutique firms are always closely examining how they can better leverage their own platforms to maximize their competitiveness against them.

Warren Smith is managing partner of The Counsel Network, Canada's oldest and most respected lawyer recruitment and career consulting firms. You can follow him on twitter @lawheadhunter.

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