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Analysis

Mid-Market Recap: The Perils of Bleeding Talent

Looking at why firms fall apart can offer lessons to other law firm leaders that are just as valuable as tips on how to grow your firm.

By **Hank Grezlak** | June 06, 2019 at 04:01 PM

(Credit: Lightspring/Shutterstock.com)

It’s always sad watching law firms implode, particularly when they have a storied history. But the demise of law firms is very much a part of the legal landscape, every bit as much as the success stories of firms achieving stunning growth. Looking at why firms fall apart can offer lessons to other law firm leaders that are just as valuable as tips on how to grow your firm.

Take 85-year-old New Jersey firm **Budd Larner**, which is expected to shutter within the next few months. Christine Simmons and David Gialanella **broke the story** for the New Jersey Law Journal last week.

The firm didn’t publicly say it was closing. But Simmons and Gialanella cited six sources close to the Short Hills, New Jersey, firm who said it is planning to close this summer. The sources didn’t know the exact timing of the closing.

So what happened? According to the story, the firm was hit with some significant shareholder departures, as well as the sting of its former chief technology officer being charged in federal court with having defrauded the firm of more than $900,000.

Just four years ago Budd Larner had 75 lawyers, and it had over 100 back in the 1980s. But now, the story said, the firm was down to 31 lawyers. Obviously losing more than half your headcount in four years is an ominous sign.

The problems appeared to accelerate last month when 18 lawyers left, Simmons and Gialanella reported.

Those exits included executive committee member Andrew Miller, who took a group of 15 intellectual property lawyers with him to **Windels Marx Lane & Mittendorf.** James Fitzsimmons, another executive committee member, left to join **Drinker Biddle & Reath**.

After those defections, the remaining executive committee members said in a statement they were “evaluating next steps for the firm.”

The article points out the alleged criminal activity by the former CTO caused damage. Prosecutors allege the former CTO and his co-defendant created a shell company to bill the firm for nearly $900,000, using false charges and invoices, and used the funds to pay for personal expenses.

Budd Larner filed a civil RICO suit against the pair, saying in the suit the “firm suffered significant financial losses as a result of defendants’ ongoing pattern of theft, unlawful receipt and conversion of the firm’s money.”

The firm had been an insurance defense firm but morphed over time to offer a broader range of services, Simmons and Gialanella wrote, and developed a national mass toxic tort litigation practice, representing plaintiffs who sued tobacco companies in the 1980s and 1990s.

So what lessons are there to be learned? There are always hazards in moving away from core strengths. Head count losses and partner departures always make you think, but perhaps it’s important to focus on why those lawyers are leaving.

Is it over disagreements over strategy and direction? That’s one common element you see at times with mid-market firms, particularly when more senior partners and firm leaders make an exit. There’s often a disagreement with the direction the firm is headed, how current leadership is operating a firm.

Those types of disagreements happen all the time in Big Law, but when it’s multiple people at a mid-market firm, that usually signifies deeper fissures.

While keeping a steady pipeline of talent is always key, it’s probably even more important for mid-market firm leaders to check the temperature of their leadership teams and their partners. Do we all believe we're headed in the right direction? Do we all believe we're going about it the right way?

If a few people answer "No," then midsize firms need to reassess and make sure to get buy-in.

We created the Mid-Market Report because we felt—and were told—that there was a real need for a publication dedicated to covering midsize law firms and the issues that are important to them. As part of that, we understood there were many mid-market firms out there doing amazing work.

It's never fun writing about a firm closing up shop—particularly one that's been around more than 80 years. But our hope is that when we do, it might provide some insight that allows another midsize firm to avoid a similar fate.

So what do you think are the most common reasons for mid-market firms failing? How can leadership avoid those situations? Feel free to tell us what you think.

A New Hiring and Retention Tool

One of the interesting trends that has emerged at law firms over the last few years is the creation of special programs to attract and retain young talent.

Take, for instance, a new perk from San Diego-based **Tyson & Mendes** that Xiumei Dong detailed in **this story** for the Recorder.

The rapidly growing firm—it started with 12 lawyers in 2011 and now has 140—has launched a program aimed at helping its lawyers eliminate their student debt and save for their families' education needs.

Managing partner Robert Tyson told Dong the firm is working with Gradifi, an employer-based student loan repayment provider, and will contribute $10,000 over five years of gradually increasing monthly payments toward the student debt of eligible attorneys, or contribute the same amount toward the 529 college savings plans they have for family members.

Why do it? Tyson said it's all part of the firm's hiring strategy.

"The main reason is to attract top talent and to recruit really excellent attorneys," he said. "And then what we realized as we were rolling this out to attract talent is that it is something we should do for our current attorneys who have been loyal to us for years."

Given the firm's tremendous growth in a short amount of time, maybe innovative programs like the student debt one are part of the reason.

The Shortening Trend Continues

When I started covering the law back in the early 1990s, most firms had names that sounded like the starting infield for a baseball team. Over time big firms have been ruthlessly winnowing those names down, so many are known by one or maybe two words.

It's taken time, but it seems many mid-market firms are shortening their names as well, something Brenda Sapino Jeffreys noted in **this story** for Texas Lawyer. Texas trial firm Hartline Dacus Barger Dreyer has shortened its name to simply **Hartline Barger**. Jeffreys said the move was made easier because of the retirement of two name partners.

Managing partner Larry Grayson told Jeffreys that the retirements gave the firm the chance to refresh its brand.

“As we looked at our 25th anniversary coming up in about a month, it was the time to do it,” Grayson told Jeffreys. “The old name was a bit long and a bit of a tongue twister, in particular with email.”

According to the story, the firm started in 1994 with a group of 10 products liability lawyers and has grown to 75 lawyers throughout Texas.

What do you think of the name-shortening trend? Does it make it easier to raise brand awareness? I’ll confess that as a journalist, short names are a hell of a lot easier to write about, particularly in headlines. But what’s annoying is how some firms get their backs up about how their shortened names get displayed, like using various symbols instead of just “and” or “&.” I think we could all do without that.

Hank Grezlak

Hank Grezlak is the editor-in-chief for ALM's legal theme desks, Law.com and regional publications, and has been covering courts and law firms since 1993. He has won numerous awards for his journalism, including several for investigative reporting, columns, and enterprise reporting. In 2016 he was awarded the G.D. Crain, Jr. Award for Distinguished Editorial Career.

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