

Farrell Fritz: How Recession Created Competitive Advantage for Midsize Firms

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Robert Creighton, the managing partner of Farrell Fritz, said the market for legal services is extremely competitive but midsize firms have had an advantage since the recession. He does note that Big Law firms are competing for business they might have previously ignored. This is part of an occasional series that also includes conversations with **Ronald Schechtman of Pryor Cashman, Richard Stehl of Otterbourg, Craig Wittlin of Harter Secrest & Emery and David Scherl of Morrison Cohen.**

Q: How big is your firm, where is it located and what are its primary areas of practice and focus?

A: Farrell Fritz is a 90-lawyer regional law firm with offices in Uniondale, New York, Hauppauge and Watermill. While we are a regional firm, we handle sophisticated matters for clients located beyond our regional footprint. We have a full-service commercial practice, which includes general corporate, mergers and acquisitions, emerging companies and venture capital, real estate, commercial finance, economic development, bankruptcy and restructuring, business divorce, tax, labor and employment, land use, environmental and municipal law, and tax certiorari. We have a health law practice and a large commercial litigation practice which includes a construction litigation group and e-discovery. In addition, the firm has a sophisticated trusts and

By
**Robert
Creighton**



estates practice, which includes planning and administration as well as a trusts and estates litigation practice.

Q: Please explain your firm’s governance structure and compensation model.

A: Farrell Fritz is managed by a management committee consisting of five partners, including the managing partner, who are elected by the firm’s partners. The members of the management committee are elected for staggered three-year terms, and we do not have term limits. Among its responsibilities, the management committee determines compensation for the partners annually. Our compensation model is not formula based. The management committee considers a number of factors such as new business origination, matter responsibility, firm involvement, community involvement, mentoring, expansion of client relationships, etc. We try to reward “firm first” behaviors and to discourage silos, believing that our clients are best served by a collaborative approach to addressing their concerns.

Q: What do you view as the two biggest opportunities for your firm, and what are the two biggest threats?

A: The legal market has changed significantly since the recession. We believe that these changes create opportunities for middle-market firms like Farrell Fritz. Clients are demanding efficiency from their lawyers. Our overhead structure allows us to compete from a cost perspective, while providing the highest quality of legal service. This is a competitive advantage. We also see opportunity to grow the firm by strategically adding practice groups and expanding our geographic footprint. We are actively seeking opportunities to do both. With respect to challenges, fee pressure is a significant challenge for us and for all law firms. We need to be creative in structuring fee arrangements that clients will find attractive and that permit us to generate profitable work. We also need to manage our costs to allow us to continue to provide services in as efficient a manner as is possible. With this in mind, we have recently moved our main office in Uniondale to reduce our occupancy costs while, at the same time, creating a more modern work environment.

Q: After the recession hit, the prevailing theory was that midsize firms would start to see more work come their way from large clients who could no longer justify paying Big Law rates. What has been your experience?

A: We have certainly seen some evidence that this is occurring, but we have also seen Big Law firms competing for work that they may not have competed for in the past. Demand for legal services has been soft, causing all firms to compete to continue to grow.

Q: Are your clients pushing for more alternative fee arrangements, and if so, what types? Is your firm amenable to those requests?

A: Clients are looking for more certainty in budgeting legal costs and often ask for alternate fee arrangements, including fixed-fee engagements, task-based billing, reduced rates with success fees, contingency fees or modified contingency fee engagements. We have been amenable to these requests and have managed to structure these arrangements in ways that have been mutually beneficial for us and for our clients.

Q: There is much debate around how law firms can foster the next generation of legal talent. What advantages and disadvantages do midsize firms have in attracting and retaining young lawyers, particularly millennials?

A: Midsized firms offer a number of advantages when trying to attract and retain young talent. The most significant advantage for a young ambitious attorney is the opportunity to become directly and substantively engaged in clients' matters sooner in their careers than they might be able to do at larger law firms. Midsized firms do not typically staff matters with as much leverage as our larger competitors, which allows younger lawyers to take on more responsibility. It also affords them the opportunity to work directly with the firm's partners. We also encourage our young lawyers to become involved in the community by joining not-for-profit organizations and the firm supports that participation. Finally, we believe that, while we all work hard, young lawyers can find a better work-life balance working for a midsized firm. We are finding that millennials value the quality of a collaborative work experience, the opportunity to get involved in causes important to them, and the work/life balance that Farrell Fritz provides.

Q: Does your firm employ any non-lawyer professionals in high-level positions (e.g., COO, business development officer, chief strategy officer, etc.)? If so, why is it advantageous to have a nonlawyer in that role? If not, have you considered hiring any?

A: Our firm employs a number of nonattorneys in very significant roles; these professionals work closely with me and the management committee to assist in conduct of the firm's business. Specifically, we employ directors of finance, information technology, marketing, administration and benefits administration. Each of these people have substantive knowledge which we, as lawyers, do not, and their contributions to the firm are invaluable.

Q: What if any technology advancements have you made in your firm in recent years? What are the challenges in implementing tech changes?

A: We are constantly enhancing our IT infrastructure to facilitate secure access from remote locations and to ensure that our data and our clients' confidential information is secure. Recently, we have made significant enhancements to mobile access to the firm's systems which facilitate remote time-entry and work-flow management. We have also recently replaced and upgraded the firm's accounting and conflicts management systems. The biggest challenge in implementing any technology changes—or any change for that matter—is the reality that people don't like change. We attempt to address this challenge by offering robust and user-friendly training programs.

Q: What would you say is the most innovative thing your firm has done recently, whether it be internal operations, how you work with clients, etc.?

A: The most impactful thing that our firm has done recently was the relocation and reconfiguration of our main offices in Uniondale, as well as our New York City office. In this process, we are able to rethink our needs and build out space suited to those needs. We now have a very modern space in both locations that will suit us into the foreseeable future. We have

substantially reduced our occupancy costs, which will allow us to continue to deliver our services in as efficient a manner as is possible.

Q: Does your firm have a succession plan in place? If so, what challenges do you face in trying to execute that plan? If you don't currently have a plan, is it an issue your firm is thinking about?

A: Two years ago, I became the firm's fourth managing partner; we have successfully managed generational changes because we have a very strong culture which is fully embraced by the firm's partners. With respect to succession, we work to engage younger partners in the firm's business and involve them as committee chairs and practice group leaders. We encourage our attorneys to take leadership roles within their communities, which also helps them build their leadership skills. We attempt to be as transparent as we can be with the partners so that all understand the business of the firm. With respect to nonlawyer directors, we are constantly evaluating the firm's needs and building strong staff that supports each of them.

Susan DeSantis is the deputy editor-in-chief of the New York Law Journal. She can be reached at sdesantis@alm.com. Twitter: @sndesantis