

Opening branch offices

Growth is essential to the long-term survival of any business. American and foreign law firms have grown by marketing to the public, acquiring lateral partners with portable practices, merging with other firms and starting branch offices. Any time a branch office is opened, it must also be staffed. Staffing is an important and often overlooked component of the branch office opening concept.

This article discusses important factors firms need to consider before opening a branch office and some of the common obstacles they are likely to encounter along the way. In particular, we focus on the issues that are raised by staffing decisions and give some examples of how firms have been successful and unsuccessful in their goal to staff their branch offices not only with high quality, well regarded lawyers, but also a high quality staff.

I. Why Open a Branch Office?

Firms open branch offices for many reasons, including servicing a single client, penetrating a new market, or preventing competitors from "poaching" existing clients in a particular area. A firm needs to outline and identify its specific reasons for opening a branch office. The firm should be certain it is willing to make a firm commitment to the new office, even in the event that the office is not immediately profitable. For example, a firm may identify that an area in which it believes there will be significant growth in the future, and in which the firm may have numerous contacts with prospective clients. It is critical to be sure that there is a

cohesive strategy driving the opening of the office. At its most fundamental level, this means that the firm must understand what services it intends to provide in the branch office, what types of clients it is seeking to service and its capabilities to do the work it is seeking to do in the marketplace.

II. The Problems With Opening Branch Offices

A. The Failures of Branch Offices

Many firms have had bad experiences with branch offices. Partnership defections, high overhead and the inability to meet projections for getting work can cause branch offices to fail. A more serious and insidious problem is that branch offices experiencing difficulty will often take a severe toll upon management. Firms that do not approach the opening of branch offices rationally often find themselves with far more headaches and drains on their profits than they anticipated.

Some firms starting branch offices are not realistic about the client base they believe the branch office will be able to generate. For example, many firms have opened branch offices only to find that the work they believed would appear has not materialized. When this is true, a branch office will be a tremendous drain on the main office for some time even under the best circumstances.

Still, we find that when branch offices fail after a few years, it is often a failure to staff the branch office correctly that is a major

factor. Too often, we are contacted by firms who are in the midst of attempting to grow their office staff in a branch office without any sense of direction. They may have faced attrition of staff after only a few months, or they may have noticed that too many members of their staff were incompatible or incompetent. Firm managers know that they need a certain number of secretaries and paralegals, human resources assistance, reception, etc., but they often have begun staffing their firm without any clear agenda about the type of people they want to find or the precise skills they need to have.

B. Reluctant Staff Candidates

The primary difficulty when a firm needs to develop staff candidates in a new locale lies in the fact that it is very difficult to form from nothing a cohesive group of staff members, all with sufficient skills to do the necessary work and with sufficient staying power. Unless there are motivations related to geographical relocations or desire by the candidate to grow his skill set in a different area, the staff members who initially are most attracted to a move to a new branch office of a different firm are generally of two types: 1) those who are attracted to slightly higher pay (if applicable) even at the cost of losing longevity with their current employer, and 2) those who are not performing well with their current employer. It is important to implement systems that insure that persons motivated in this method are not the ones that predominate in the new organization.

Unfortunately, instead of maintaining the strict standards that are applied by firms in the selection of attorneys for their branch offices to those who are among the staff of those offices, firms sometimes decide

consciously to apply lower standards and deal with the consequences. As an example, one West Coast firm which opened an Austin office during the late '90's boom quickly obtained a reputation in Austin for paying inflated salaries to secretaries and paralegals. While one would expect that this might have led the firm to attract many of the most desirable candidates for staff positions in the entire city of Austin, the result was not this simple or good. Instead of attracting the best staff members, many attorneys at this firm (and others like it) have remarked to us that the firm attracted staff members who were more disloyal and motivated by money than others who did not decide to leave their employers in the face of such attractive compensation.

What did this firm do wrong? In essence, the firm took a micro view of the market for staff talent, assuming that the attractive compensation it offered would attract a talented staff pool and then choosing among those who were attracted to the firm. To some degree the firm's problems could have been eliminated with the help of staffing consultants who were familiar with the market in Austin at the time. Better advised firms opening branch offices in the same market resisted the urge to simply offer outrageously high salaries to staff and focused instead on selling candidates on the prospects for the firm's future. The combination of effective marketing, a slight increase in current compensation, and a promise of potentially large increases in future compensation, combined with a willingness by the firm to cope with short term pain while hiring decisions were made in an orderly manner, all combined to produce more favorable results in the end for everyone concerned.

III. Staffing Strategies for Branch Offices

On one hand, clients may want to see a certain number of attorneys in the office before they begin dealing with the branch office. Conversely, the branch office of a firm practicing in a highly specialized area such as intellectual property may often be profitable despite the fact that there are only a few attorneys in the branch office due to a client's confidence in the firm to do specialized work.

In any case, law firms depend upon people, and not just the attorneys. The ability of firms to service clients depends upon the ability of the firm to lure both attorneys and staff to its branch office. The fact that a firm may be able to attract partners with substantial portable business to its branch office can allow an office to quickly become profitable as well as establish a fundamental foothold in its new area, but to remain profitable a firm must also attract quality associates and staff. Since our specialty is firm staff (including contract attorneys), we will focus on the strategies for attracting and retaining these key people.

A. Dispatch Some of Your Home Office Staff.

Typically, law firms staff branch offices by dispatching their own attorneys to the new locale. This is quite expensive, because many firms have to offer expensive perks such as short-term housing allowances and frequent trips home. Additionally, relocating attorneys overseas can have staggering costs.

When a firm is seeking to establish a branch office, firm management needs to take some time to speak with both existing attorneys and staff in the firm about any connections

they may have in the new area. Sending a staff member with concrete connections to the particular locale in which the branch office will be located can be as great a strategy as sending an attorney with a similar connection. The benefits of moving long term staff members on a temporary or permanent basis can easily justify the cost if, by doing so, the firm develops an office that is cohesive and representative of the more established office where the moving staff-members and attorneys started. In addition to bringing the firm's culture and values with them, these staff members and attorneys will be less likely to be viewed as "carpetbaggers" by others in the new locale, including potential recruits. Lawyers and staff within the parent firm with local contacts are also far more likely to stay in the branch office, feel a loyalty to the home office and show more potential for further growth.

Even with local contacts, integrating attorneys and staff into a new location can be difficult. The attorneys may need time to integrate into the area and may only be seeking short-term objectives in the new market at first. In most cases, branch offices will need to add local attorneys in order to assure success, and with them local staff.

B. Grow Your Own Staff with your Attorneys

Most branch offices will at some point hire new law school graduates to staff their offices. The strength of hiring local graduates is that they are more likely to remain in the area where you hire them and they can also be sources for networking in the local legal community. We believe the same is true of staff member growth.

It is important to remember the amount of training that is required of new associates and to note that a similar amount of training is needed for new staffmembers. Firms should be reluctant to hire untrained staff members in the same way that they are typically reluctant to hire attorneys who are not able to “hit the ground running.” Extensive training can require a firm to devote a substantial amount of resources to make new associates productive. Several studies have shown that law firm associates generally do not generate any profit in their first year and may not show the firm any profit until the beginning of their fifth year. Additionally, a newly-established branch office may not yet have the resources to train new attorneys. Until the branch office becomes more established, this is not the best option.

C. Acquire Experienced Local Staff

In order to have a satisfactory local presence, it will often be necessary for the firm to acquire lawyers in the area. When this occurs, firms naturally seek to acquire staff in the same manner. There are a number of ways that a firm can approach the acquisition of these lawyers and staff members.

1. Word of Mouth Recruiting

One way many branch offices have acquired talent is by contacting in-house counsel and their clients in the area and asking them for references for local talent. Many attorneys (and staff members as well, if some of them are relocated) who are being relocated to a branch office may also have already had extensive contact with lawyers and potential staff members staff from other firms in the area. While many law

firms do not mind growing through this type of recruitment, few will recruit directly from other firms themselves.

The reputation of an attorney or staff member hired through direct word-of-mouth recruiting is generally not difficult to establish because there is an underlying assumption that a member of ones own firm would not recommend someone of whom they do not think highly. On the other hand, if the new hire does not succeed at the firm, the firm may be put in the position of alienating the attorney or client who made the recommendation.

2. Using a Search Firm to Recruit

Many of the complexities and difficulties involved in obtaining talented help of attorneys and support staff in a new branch office can be overcome by consulting with a local or national search firm. There are real advantages in using a search firm to identify and contact suitable candidates. Search firms often have a database of candidates who might be interested in working for your firm and have access to candidates who already have the requisite training and are committed to the market in which the firm is opening the branch office. The success of many law firm branch offices has been due to their reliance on search firms that recommend candidates of the highest caliber. The costs of using recruiting firms can be justified due to the rewards that hiring local attorneys with training can bring.

A search firm is beneficial because the search and recruiting process will often ensure that the firm becomes aware of the available candidates in the market. The daily job of a search firm involves processing



resumes, speaking with attorneys in the market and studying the legal market. While some search firms simply cold call candidates with the prospect of “bombing” their resumes to local law firms, the search industry at its highest level is an extremely complex business driven by very sophisticated databases and constant contact with candidates at all levels of law firms. Good search consultants also have extensive experience in assisting branch offices establishing their presences in other markets.

3. Advertising

Another vehicle for attracting excellent candidates can be through advertising. There are several methods of advertising that can provide excellent candidates, including internet job posting boards and printed ads. For candidates whose position will place them lower in the organization, advertisement can be very effective when combined with clear and immutable hiring criteria. However, in most senior level searches, advertising simply will not be an effective way to identify and recruit top candidates.

Firms should be aware of the adage that the best candidates are usually too busy to be searching for a position. Out of every 300 candidates who contact our firm in response to a particular advertisement, less than .5% of those candidates may be a good fit for the particular position. Because most firms generally interview at least 5 candidates for a given position, this will mean that they will potentially have to sift through and evaluate more than 1500 resumes and hundreds of phone inquiries to find suitable candidates. Reviewing the

responses that come in from advertising is an enormous administrative task, and some large law firms have recruiting departments staffed with people whose only task is to respond to inquiries. Add up this administrative cost, the cost of hiring advertising agencies to create ads, and the costs of the ads themselves, and many firms simply conclude that advertising is not worth the small benefit it provides.

The benefit of using a search firm is that a good search firm employs both advertising and traditional search methods to find a suitable candidate.

D. A Combination Approach

The best means for staffing a branch office is through the use of a combination approach. By combining search strategies and staffing a branch office with local candidates, the chance that the office will succeed will be maximized. This combination approach can also have the effect of allowing the integration of the firm’s branch office with local lawyers more effectively.

IV. Conclusion

Due to a variety of factors, many firms have pursued the strategy of opening branch offices. It is important, however, that firms approach the opening of branch offices with clearly defined goals and with the understanding that succeeding in the new market will by no means be an easy task.

One of the most important components of any firm starting a branch office will be the recruitment strategy it employs. Through relocating its own attorneys and staff members, growing its own staff members, and hiring local attorneys, a

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firm is most likely to experience success in its recruitment and retention of talented attorneys and in the overall growth and profitability of the new office.