

CORPORATE counsel

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Network of Small, Midsize Firms Look for Opportunity in Hard Times

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Hard times bring opportunities, and the network of small and midsize law firms called [Meritas](#) hopes that more general counsel come knocking as their companies look for ways to cut costs.

Cost savings isn't the only reason to use one of Meritas' 170 firms, which are based in more than 60 countries (and 49 states). The firms and their clients also tout personal service, geographic reach and quality control. But the potential savings compared to fees charged by larger shops isn't something companies are likely to sniff at these days. Clients say they save up to 25 percent, with hourly rates that average \$150 to \$200 less than megafirms charge.

James Wilber, a principal at legal consultants Altman Weil Inc., believes the group's prospects are "very strong." It delivers "value for the dollar," says Wilber, who got to know the organization a few years ago when he was hired to help it replace an executive. He was also impressed by its focus on quality: "I have seen law firms with more than one office where they didn't have near the amount of control that Meritas seems to have."

Savings may be one of the selling points, but it wasn't the impetus that got the group started. Meritas was founded in 1990 by lawyer Leon Steinberg, who was frustrated by the difficulty of finding and hiring qualified lawyers outside his jurisdiction. While practicing at a medium-size Minneapolis law firm, Steinberg devised a method of selecting the best law firms in their regional markets. Within a year he managed to sign up 65 of the 72 he'd identified, says Steinberg, currently CEO of a company that develops community wind projects.

Quality assurance is key, notes Jean-Paul Bignon, who became Meritas' chairman this spring. Firms are carefully scrutinized both before and after they're invited to join, says Bignon of Bignon Lebray & Associés in Paris (which joined in 1996). Client feedback is incorporated into a firm's ratings, which are publicly accessible on the Meritas Web site. Nor are ratings a pro forma exercise: A firm was kicked out just last year. "We are the only organization with such a system," Bignon says.

Meritas lawyers are loath to oversell pricing. "You get good value for your money," allows Judith Lockhart of Meritas member Carter Ledyard & Milburn in New York (member since 2005). It's not "bargain basement."

Yet the people doing the hiring are acutely aware of the bottom line. When Tricia Martinez was hired in 2006 as an assistant GC at Dallas-based Greyhound Lines Inc. (now a division of international transportation company FirstGroup PLC), she had just left a Meritas firm. Her new company used a mix of firms, but she knew that the thinking was changing. "The fact that there were alternatives to the Skaddens of the world -- it was being talked about a lot," she recalls.

When Martinez needed a lawyer for an employment matter in a distant state, she introduced her colleagues to Meritas. They hadn't heard of it, but they liked what she told them. They liked it even more when they saw hourly rates that averaged \$150 to \$200 less than their large national firms charged.

Even more important to some companies is the way Meritas facilitates hiring. For Ken Pugh, a vice president in the

credit management group of Zions Bank in Salt Lake City, hiring firms beyond his local stable used to be "a torment." He'd find himself cold-calling distant firms, trying to guess their size and talent pools, while they were trying to figure out "who the heck this Zions Bank was," he laughs. It was assumed that each job would be a one-off, so "we paid top price for everything," he complains. And firms rarely treated Zions as a priority.

Sometimes he asked firms he liked to work outside their normal market, but that was costly and cumbersome. He stumbled on a better approach when he asked his go-to firm in Orlando to recommend a lawyer in Arkansas. That's how he learned that his Florida lawyers were part of a network he'd never heard of. Now Meritas firms handle at least 75 percent of the work Zions sends out, Pugh says. The network was exactly what he needed. Before he calls a new firm, "I know that Meritas has already checked them out." He estimates that Zions saves 20 percent to 25 percent compared to its pre-Meritas billings.

Today, about 6,500 lawyers are affiliated with Meritas. The network is evenly split between U.S. and international firms. The largest boast more than 200 lawyers; the smallest as few as 30. Most tend to be in the 35 to 50 range. They pay annual membership dues that run from thousands to tens of thousands of dollars, depending on location and size.

One challenge Meritas faces is weak name recognition. It's not nearly as well known as rival [Lex Mundi](#), which has a similar number of firms but three times as many lawyers and a global footprint that touches 100 countries. The Meritas headquarters in Minneapolis has marketed more aggressively in recent years, taking booths at conferences, and even sending staff to pitch companies directly.

They seem to be making progress. Paul Marcela first heard of Meritas at a legal conference seven years ago. An assistant GC at Dow Corning Corp. at the time, Marcela struck up a conversation with the marketing director, and was asked to join an advisory board that helps firms understand what law departments are looking for. A couple of years later he began hiring Meritas firms himself. He expects he will continue to use them after he takes over as GC of The Traxis Group B V (a subsidiary of Cerberus Capital Management, LP) in September.

Meritas may be making inroads, but its law firms may need to pitch in. "No one hires Meritas," observes Brad Hildebrandt, founder of the consulting agency that bears his name. "They hire the law firms." But if firms don't highlight the affiliation, he points out, no one may know it exists.

All the same, business is humming. From February through April, Meritas reports, firms received a 16.5 percent uptick in referrals, compared to the previous three months. "I would say they are not well known to my peers," Pugh says of Meritas firms. "But growing," he adds. "I think the word is getting out."