



WHY BRANCH OFFICES FAIL

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This is an issue which affects firms of all sizes. Branch offices open with fanfare and flourish, and a high level of expectation. Sometimes expectations are unrealistic. Sometimes expectations are not clearly defined. Too often, these same offices close later with a barely noticeable hush.

I have been working with a number of small and midsize firms which express regret for ill-fated branch offices. Some have had multiple failures. For others, once was enough. What went wrong? Might the failures have been prevented?

The decision to open a branch office is often based on vague expectations and a distinct lack of hard data. It's ok to "shoot from the hip" on occasion, but lawyers who would caution clients to proceed only after doing proper due diligence to support assumptions, are often the first to proceed on assumption alone.

There are good reasons to open branch offices. There are poor reasons. I wrote about them previously, so will not repeat myself here. The prior article also addressed many of the administrative, management and financial issues which must be taken into account when opening a branch office. [For a copy of "Is It Time for a Branch Office?" send an email request to lawpractice@pabar.org.]

If we build it, they will come.

There's nothing wrong with wanting to expand into another geographic location. Real data — not anecdotal perception — may well show that there are locations which are fertile for growing the client base. But opening the office is but one relatively simple step in the strategic plan. And yes, I'm being facetious when I use the word simple. It's only simple compared to everything else required to make the office a success.

Firms are often undone in not developing a complete strategic plan which covers a myriad of issues, including technological, financial, marketing, and staffing.

Will people be relocated? Will they go willingly? Will they go full time, or spend part of their time at the branch location, and lose the commuting time? Will

WHY BRANCH OFFICES FAIL

Page 2 of 3

the firm seek to hire people local to the branch office? Will the firm “compromise” on hiring high-quality individuals because they are unable to find, or unwilling to pay for, the talent they would hire normally? Moving into unfamiliar areas, especially with a different economy and/or compensation structure, trips up unprepared firms in a variety of ways.

Will the firm acquire a firm in the desired location? That’s one way to ease the staffing burden. However, if the firm wants to still be looking at these people across the table in one or two years, there has to be a strategic plan to create the synergy and glue which holds the stitching together.

Will the firm understaff out of concern that the financial commitment will result in a significant short-term loss? Typically this occurs when there are one or more owners who were against the branch office idea. Capital investment in growth takes time to recoup. If expectations are realistic, and there is an equally realistic budget, a firm can measure and track success, even while the bottom line is in the red.

Will the same financial concerns limit the necessary marketing? Unless the firm already has one or more key client relationships which will provide work for the branch office upon start-up, the firm must plan on a strategic, focused marketing campaign.

If you build it, prospects won’t just show up at your door. Unless there is little or no competition, you will need to establish the firm presence in various networks of influence. That means your firm must be “out there”. Depending on area(s) of practice, you may need advertising as well. You will certainly need marketing materials for the office, as well as revisions to existing materials such as the firm’s website, capabilities brochure, business cards, and so forth.

Will the office be merely a location of convenience for clients? An unmanned outpost for client meetings “by appointment only”? If that’s the case, the firm likely will look to make a minimal investment in technology, meaning that little if any real work will occur at the office aside from meetings. That can get old quickly if too much time is lost in commuting. And the loss of billable hours, when added to the overhead, may offset gains from additional clients

If they come it will mean more work for all of us.

Oh, if only this were true. Firms fail miserably at cross-marketing. Compensation schemes are usually the chief cause. Rainmakers often focus exclusively on landing more work for themselves and their team. There is little perceived benefit from helping others at the firm develop different practice areas for the same clients. In fact, rainmakers often won’t even allow their partners to get close to their referral sources to try to develop additional practice areas.

WHY BRANCH OFFICES FAIL

Page 3 of 3

Another undeniable obstacle to cross marketing is a lawyer's primal fear of losing clients to another within the firm, or to someone who defects from the firm. Is your firm battling this obstacle? Here's an easy way to tell: try to assemble a firm-wide shared contact list for marketing purposes. If you have people who refuse to cooperate — including those who agree but never manage to actually pony up their list — then you have internal demons to battle.

What does this mean plain and simple? Even if the branch office is a success for some, it doesn't mean you'll get any more work out of it. The net profits per partner may increase, given sufficient time and adequate support for the new office. So indirectly you may benefit. But that doesn't mean that you will add anything to "your column" unless you put in the effort to personally carry the firm's brand into some spheres of influence in the new neighborhood. You must be willing to invest some time building your practice there.

Some of you already have books of business developed over long careers. You're too busy as it is. You're delegating work downward. You don't need to go after the work. I get it. But failing to fully develop the economic potential of a branch office is a leading cause of failure. How do you avoid that?

Push the younger lawyers at the firm to invest the time. Too many have been failing miserably to develop their own books because they are trying to do so in a highly competitive overcrowded marketplace, while covered by your shadow. Remember, if you're the "brand name" in the neighborhood, why would clients pick them when you are available? They need a new frontier.

This article takes a scratch at the surface of branch office considerations. Hopefully it will get you thinking about proper due diligence and strategic planning before deciding to open a branch. My recommendation in this area is do it right, or not at all.

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