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As Carolinas Get More Crowded, Local Firms Focus On Talent

By **Emma Cueto**

Law360 (November 1, 2022, 3:34 PM EDT) -- As more national and regional firms move into the Carolinas, the smaller firms that are established fixtures of the North and South Carolina legal market are working to adapt to the changing circumstances and to keep their talent from being wooed away.

As **bigger players move into markets** like Charlotte and Raleigh, North Carolina, and Charleston, South Carolina, local firms say they expect their lower rates will help them stay competitive with clients, but they're working hard to keep attorneys happy as larger firms go after talent.

"The Carolinas were this secret great place to do business and practice law, but they've been discovered," said Leighton Lord of Carolinas firm Nexsen Pruet. "We're all trying to react to it and figure out the best way to deal with it."

The Carolinas have long had a notable business presence, from financial institutions like Bank of America and Wells Fargo to energy companies like Duke Energy to corporations like Boeing that have large manufacturing operations in the region. During the pandemic, that presence has only grown as companies including Apple and Google have announced plans to set up operations.

Seemingly following that lead, large firms have also taken a stronger interest in the two states.

Since the start of the summer, Memphis-based Baker Donelson Bearman Caldwell & Berkowitz PC, which **opened a Raleigh office** last year, added an outpost in Charleston, South Carolina; Atlanta-based Taylor English Duma LLP **announced plans** to move into North Carolina; and Holland & Knight LLP announced an expansion of the firm's Charlotte office.

These sorts of moves can — and, in some cases, have — come at the expense of the established firms in the region. Baker Donelson's new office was launched with four attorneys, including two from Parker Poe Adams & Bernstein LLP, a Carolinas-based firm that still has the majority of its headcount in the two states. And Holland & Knight's expansion came in the form of **five corporate partners** from Carolinas firm Moore & Van Allen PLLC.

Local firms have definitely taken notice.

"It creates some challenges we need to adapt to," said Leslie Packer, managing partner at Ellis & Winters LLP, which has offices in North Carolina and several attorneys also licensed in South Carolina.

Firms are redoubling efforts to keep clients happy and hoping to avoid losing business. For instance, Lord said Nexsen Pruet, which has eight offices in the Carolinas and one in Austin, Texas, is exploring the possibility of further expansion outside North and South Carolina in order to meet the needs of its clients.

Overall, however, local firms have a clear edge in the market given that their rates are much lower than many of the national and regional players.

"Most of the national firms that have moved in have a national client base," Packer said. "If they move into a North Carolina or South Carolina market, that may give them an opportunity to get work

for an existing client ... but I don't see the firms that are moving in having much success taking work away from existing firms."

Of much greater concern is the possibility of seeing talent poached.

Carlos Pauling, an executive director in Major Lindsey & Africa's partner practice group, said that even though local firms likely cannot keep pace with national firms on salary, there are things that firms should be doing to keep their attorneys happy.

"Partners leave law firms because they feel that their practice is not thriving or cannot grow," he said. "What firms can do to hold onto their talent is make sure they are in constant dialogue with their highest producers to understand what is the strategic direction that partner is trying to take her practice and what they can do to help her do that."

That is the approach Lord says Nexsen Pruet has been taking. The firm did raise salaries for associates, paralegals and legal secretaries, he said, noting that the war for nonlawyer talent is particularly hot in many markets, but it knows it can't match many of the newcomers on pay.

Instead, the firm is working to make sure it is a place where partners have the support they need and where younger attorneys are given the mentoring and training they might not get at a larger firm. Work-life balance is also a big part of the pitch, Lord added.

Packer likewise said Ellis Winters is listening to its attorneys about what they want, such as more training for associates or more pro bono opportunities.

Firms also expect that new players will keep moving in. Both Packer and Lord said they have received many calls about firms without a Carolinas presence that are interested in potential mergers, though both say they have not entertained any of the offers.

Pauling said he also would not be surprised to see more firms enter via mergers, and that he thinks there is interest both from outside firms looking to move in and local firms looking for a larger platform.

"All these companies are moving to the Southeast," he said. "You've got a really good, low cost of living, favorable tax rates, a highly educated workforce because of all the universities, and a really wonderful mix of industries." That mix, he added, will continue to draw people in.

Packer noted that although things are more volatile in the Carolina legal market these days, seeing that growth is ultimately a good thing.

"We've had good economic growth for the past few years ... so it's natural that law firms would follow," she said. "In a macro sense, it's probably a good thing for the region."

--Additional reporting by Aebra Coe. Editing by Marygrace Anderson and Alyssa Miller.