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BIGLAW BEWARE: BOUTIQUES ARE COMING FOR YOUR CLIENTS

by

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BigLaw Beware: Boutiques Are Coming For Your Clients

By **Aebra Coe**

Law360 (May 1, 2018, 3:00 PM EDT) -- As a number of prominent partners leave BigLaw and join boutiques — or form their own — some high-paying and sought-after work is being funneled away from the global giants to more modestly sized law firms.

The shift to boutiques is being driven by multinational corporations' desire for lower fees, more specialized expertise and a need for more responsiveness from outside counsel, according to a survey last month of 307 business leaders from companies in the U.S., U.K. and Europe by business services marketplace Globality Inc.

And more and more boutiques are bolstering their offerings with BigLaw experience.

Murphy & McGonigle, founded in 2010, is an example of a boutique that has managed to lure a number of partners from BigLaw. According to founding partner James Murphy, the law firm is made up of 90 percent BigLaw expats.

And when it comes to work, he said, "most often, we find ourselves competing with Am Law 100 firms," taking on some of the same clients such as Wall Street investment banks, commercial banks, securities brokerage firms and hedge funds.

Forty-one percent of those surveyed by Globality cited cost effectiveness as a priority when choosing outside legal counsel, giving boutiques with low overhead an edge over the big firms.

Murphy cited the availability of technology as key in enabling smaller shops like his to compete in a way that did not exist 20 years ago.

The law firm has built an e-discovery platform in Virginia where it uses the latest machine learning technologies to process "huge data sets," and it uses contract attorneys to review documents in discovery and perform other tasks that many firms use highly paid associates for.

"So while we only have 50 full-time lawyers, we routinely scale up with several dozen contract lawyers to enable us to handle billion-dollar litigation matters and other data-intensive engagements, like high-profile SEC investigations," Murphy said.

As boutiques become an option for a wider range of legal matters, partners are finding more reasons to make the move away from BigLaw, according to Jeffrey Lowe, head of partner recruiting at Major Lindsey & Africa.

Partners at large law firms that are growing larger every day may look back to when they joined their firms 15 or 20 years earlier and realize some of the intimacy as been lost. They also may find that their firms have grown in ways that don't mesh with their own practices, Lowe said.

"I think you'll continue to see it as [BigLaw] firms grow and grow and grow," he said of partners lateraling to smaller law firms. "It's inevitable that at some point people will break off. I think they are attracted to a smaller and more focused platform."

Janet Stanton, a business consultant to law firms at Adam Smith Esq., says the movement of attorneys, and work, to a smaller setting is a response to changing client demands as multinational corporations forgo relying solely on large law firms, instead sourcing work from a number of different places, including highly specialized small providers.

"It's important to understand that clients are increasingly disaggregating their legal work. They used to take all their work to one law firm, but now they are more discriminating in terms of who they use," Stanton said.

That means splitting up matters among in-house teams, large law firms, alternative legal service providers, accounting firms, midsize law firms and boutiques.

Stanton and others like her say boutiques are posing a growing threat to large law firms due to the high level of expertise many have been able to develop and attract in specific practice areas and industries, as well as the competitive rates they're often able to offer clients due to lower overhead costs.

Additionally, senior partners at smaller firms may be more responsive and perform more of the work themselves instead of passing it along to a junior attorney, she said.

Globality's survey indicated that 36 percent of respondents felt that a lack of responsiveness was an obstacle when working with outside counsel. A lack of familiarity with the company's business was cited by 35 percent of those who took part.

Charles Kagay, head of the International Network of Boutique and Independent Law Firms, says he has witnessed the evolution of boutique law firms firsthand. His network was formed in 2004 and has since grown to 240 members.

Kagay pointed to the personalized nature of the service clients can get at boutiques, as well as the flexibility a smaller, more "nimble" firm can provide when it comes to pricing, to explain the uptick in popularity among large clients.

According to Globality's survey, companies' average percentage of annual spending on external legal services breaks down to 40 percent on large law firms with multiple practices, 28 percent on small law firms with a single practice, 18 percent on freelance contributors and consultants and 13 percent on online platforms.

And, looking ahead, 40 percent of Globaility's survey respondents anticipate an increase in spending on smaller service providers over the next five years.

"They clearly are beginning to take some business from BigLaw and from other types of law firms," Stanton said of boutiques.

--Editing by Rebecca Flanagan and Katherine Rautenberg.
