

# Why Some Partners Are Ditching BigLaw For Midsize Firms

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Law360, Grand Rapids (May 25, 2017, 11:30 AM EDT) -- Some BigLaw partners are choosing to jump ship to join midsize law firms where many find they have lower capital contributions, more freedom over the rates they charge, and a greater sense of ownership over their practices.

There's been a "real change" in the legal market over the past decade, lawyers say, driven by clients' desires to buy legal services that offer them the best possible value for the price, which has resulted in an influx of certain types of legal work to medium-sized law firms that were once performed at higher rates by the biggest players.

There has also been a number of partners that have left large law firms for smaller firms when their clients have pushed back against BigLaw billing rates, according to Ronald Shechtman, managing partner of [Pryor Cashman LLP](#), a medium-sized law firm.

"We've never seen more laterals of higher quality and greater originations than we're seeing now," Shechtman said. "I think the inflation in hourly rates has made it really hard for some to grow a practice or sustain a practice in much of BigLaw."

Partner rates at firms with more than 750 lawyers are now 40 percent higher than rates at firms with 501 to 750 lawyers, up from a 30 percent discrepancy the year before, according to the [LexisNexis CounselLink Enterprise Legal Management Trends Report](#), released March 7.

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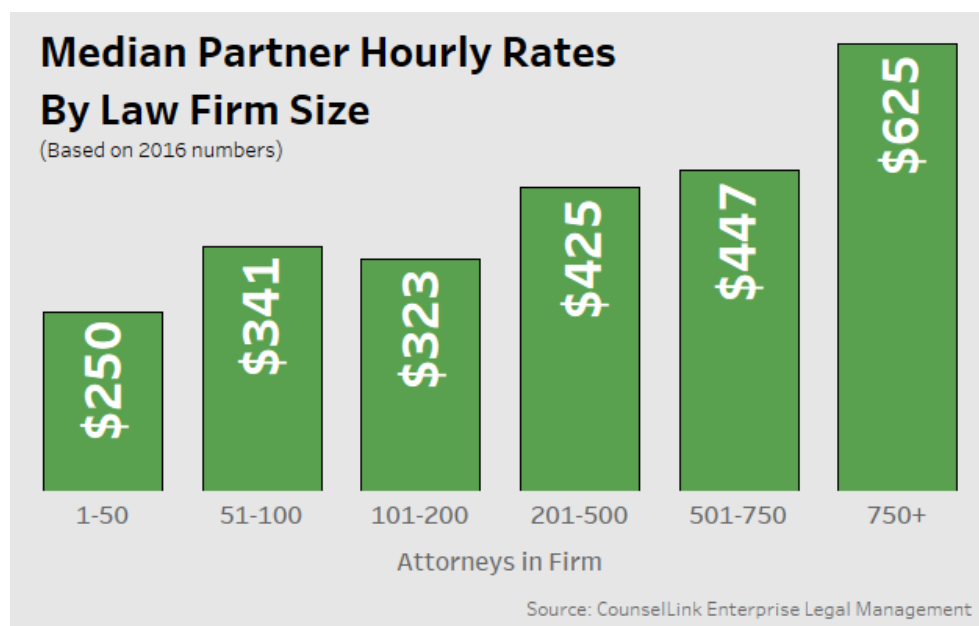


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Median hourly rates were \$625 for law firm of more than 750 lawyers, \$447 for those with between 501 and 750 and they were \$425 for law firms with between 201 and 500 attorneys.

“There’s been a real change in the market, in terms of the work that’s becoming available to the mid-sized market, due to the increasingly value-driven client base that exists now,” Shechtman said.

According to law firm recruiter Ken Young, his previous law firm, 525-attorney [Nelson Mullins Riley & Scarborough LLP](#), and other medium-sized law firms have benefited from a trend in which large firms have begun pushing partners out who can’t or don’t want to charge high enough rates to support their overhead expenses.

The move by the nation’s biggest law firms to pare back on practice areas that are not profitable enough to support their business model — and profit aspirations — has created a steady stream of talent to midsize and boutique law firms over the past decade, Young said.

“If you’re at a firm like [K&L Gates](#) with 22 foreign offices, the overhead of the firm is larger and the capital contributions demanded of the partners is higher when you have what we call ‘Hong Kong overhead.’ If you are a young partner at a big firm and your client base doesn’t need a London, Hong Kong or Singapore office, then you can jump down to a medium-sized firm,” he said.



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It comes down to a business analysis for many lawyers, comparing what they give to their firms to what they get back.

“If their client has operations all over the world, [foreign offices are] a great selling point. But if all your clients are local, regional or even national, you can jump down,” Young said. “Partners can make the same income usually, and are not forced to charge their client higher rates, and their capital contribution is often less.”

There can also be a flexibility at smaller firms that partners may have when they pivot away from the rigidity of bureaucratic structures in some large firms, according to Diane Rifkin, of Rifkin Consulting.

“I think that the freedom to practice more the way they want, or hope they can so they can grow, matters because ... in many firms they are restricted to the long-established policies and requirements of large firms that are more difficult to change,” Rifkin said.

Shechtman related a story about a recent lateral to his law firm. The lawyer, who had a book of business between \$500,000 and \$1 million, had originally rejected a job offer from Pryor Cashman to accept an offer from a large California-based law firm.

Two years after he joined that firm, Shechtman said he got a call from the lawyer saying he'd like to pick up the lateral discussions again.

The attorney said that at his new firm he'd worked on a deal for an underwriter who had been a good source of business for him and that the deal ended up dying. The client approached him and said they needed a break on the crashed deal, but the lawyer had to jump through hoops writing memos to someone in another state within the law firm in order to get the break approved and had to wait two weeks to hear back.

“The client was exasperated and pissed off and the business had been threatened,” Shechtman said. “The problem is, a firm that size is not very much interested in supporting someone building a practice at the level he was at.”

The lawyer ended up joining Pryor Cashman.

Lifestyle can also be an issue that draws young partners to smaller law firms, according to S. Dan Anderson, a legal industry consultant and chief operating officer of [Dentons](#).

“Some people are not looking to achieve \$1 million to \$2 million in profits per partner; they’re happy living in tertiary markets where the cost of living is lower and \$750,000 a year equates to a lot more than it would in New York or Washington, D.C.,” Anderson said.

A partner in Nashville or Louisville at a midsize firm where the profits per partner are \$750,000 can often work fewer than 2,000 hours, make a good living and have a “great lifestyle,” he said.

The idea of moving away from the billable hour entirely lured Meagan Newman away from BigLaw. She was a partner at [Seyfarth Shaw LLP](#) before moving to [Bartlit Beck Herman Palenchar & Scott LLP](#), a midsize law firm that does not charge hourly fees. Last year, Newman joined the firm as its chief administrative officer.

“Being able to not think about the calendar in terms of a billable year and not think about whether I billed enough hours today to take my daughter to her doctor’s appointment tomorrow makes a huge difference,” she said.

--Editing by Rebecca Flanagan and Emily Kokoll.

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