

A Big Law Refugee Makes a Bet on the Future of the Law

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By Robin M. Hensley
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When Marc Taylor discusses the future of practicing law, he keeps coming back to one word: risk.

Lawyers are risk averse by training and temperament, says Taylor, one of 17 founding partners of the upstart Taylor English Duma. While that is a good thing when they are framing advice for clients, attorneys in large commercial law firms increasingly will need to embrace professional and personal risk as they shape their career paths.

The current compensation model of Big Law, which relies on associate leverage and Fortune 1000 clients' willingness to absorb ever-increasing rates, is unsustainable, Taylor says. The top-of-the-pyramid Am Law firms will survive with the extraordinary expertise, scope of services and collaboration they bring to what Taylor calls "existential" matters. He imagines a Global 30 rather than an Am Law 200 when the current wave of consolidation runs its course over the next 10 to 20 years. However, the majority of firms on the Am Law scorecard are going to get squeezed as in-house departments staff up with more sophisticated talent and technology and clients get comfortable with the idea that some of the lawyers who used to work for the elite firms offer the same level of service at half the price at a midsize firm.

Taylor is unabashedly touting his own new-model firm in this vision. Since 2005, his firm has grown from the initial founders to more than 175 attorneys and government affairs consultants, many of them refugees from Am Law firms.

Taylor, a labor and employment attorney, spent most of the first 17 years of his career in the world of Big Law, with the exception of three years spent in-house, which shaped his understanding of how legal services should be delivered. After his in-house stint, he returned as a partner to Powell Goldstein, the iconic Atlanta firm that was the



epitome of Big Law respectability but became an early victim of the new order when it was absorbed by Bryan Cave in 2007. Just prior to that transition, Taylor helped launch Taylor English with the simple idea that the firm could provide the same quality work from a suburban office with low overhead, while picking off other lawyers who were willing—or nudged—to step away from Big Law. Taylor calls this a "talent opportunity," and the pool is going to get richer as big firms shed excellent lawyers who aren't producing enough revenue to balance their big paychecks.

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There are some big differences in the Taylor English model. Key stat: Taylor learned at PoGo that approximately 70 to 80 percent of an Am Law firm's revenue goes to fixed costs. Think signature office space, far-flung offices, guaranteed payments for all associates, nonequity partners and counsel—as well as for prized laterals.

At Taylor English, think of respectable suburban real estate, no frills and, Taylor says, the same legal services at half the cost. "If they liked you at \$800 an hour, they will love you at \$400," he says.

But back to risk. Taylor doesn't like to describe the firm as "eat what you kill"—a worn-out pejorative, he says—but it is a firm where employment for lawyers comes without guarantees. "We are a production-based model. If you produce, you get paid in a transparent and immediate way," he says.

At the typical Am Law firm, Taylor estimates that partners might keep between 35 and 40 percent of their originated revenue, unless they are one of a select few fully leveraged up in their firm's partnership. At Taylor English, the risk of no guaranteed salary for attorneys is offset by a bigger reward as partners keep between 60 to 70 cents of every dollar they bill. Associates are likewise compensated based upon production. For the most part, attorneys pay their own expenses, including travel and individual marketing. "The principle is we don't sell anything that as a client we wouldn't buy," Taylor says, and that leaves little room for junior lawyers with high guaranteed salaries who are being trained on a client's dime.

The end of big leverage

This model is still evolving. For a long time, the firm capped its equity partners at an inner circle of 20, but that frustrated younger lawyers who didn't see a future in this design. Three years ago, the firm opened up its equity ranks and now has a 1-1 ratio of equity partners to nonequity attorneys. A typical Big Law ratio would be closer to 1-5.

More changes are coming as Taylor recognizes the need to navigate the future with a more finely tuned compass. "I'm a sales guy, not a financial guy," he explains, and he concedes that the ratios and compensation metrics could benefit from more refined financial analysis. To that end, the firm recently brought in a new chief executive officer, Kirk Hancock, whose resume includes significant leadership roles in other professional services businesses, including the North Highland Co., the Atlanta-based consulting company that bears a striking resemblance to the model Taylor English has developed.

Taylor recognizes that clients are beginning to approach legal services as they do all other professional services. This mindset means they are demanding more accountability and predictability, leading to the rise in project-based delivery and pricing. Effectively transferring the economic risk from the client to the firm. To succeed in this transition, Taylor English will need to leverage technology, repeatable processes and data to accurately predict and manage the time and expenses needed to deliver a project on a fixed fee.

Success has created other questions, such as how to broaden the firm's footprint to other cities where clients need service without loading up on an expensive real estate portfolio. The firm addressed this need last year with what he calls the remote partnership platform. "You find big-firm lawyers who are not getting full value for what they are producing but who still need the security of being part of a large firm," he offers. Those lawyers take 80 percent on the dollar and receive more limited resources from the firm—even higher risk and higher reward.

As for clients, "The woman who owns a \$100 million business, she understands. Every check for legal services she writes comes out of her own pocketbook. Value isn't just a buzzword to her," he says. He concedes that most of the Fortune 1000 isn't there yet, but they are coming around as GCs are pressed to control costs, and they rediscover that corporate legal departments can function as captive law firms. Within 10 years, he expects most Fortune 1000 work to be project-based, which is how he predicts clients will shift risk to law firms. The top 30 or so firms will continue to charge four-figure hourly rates for their existential work, but unfortunately for the rest of the Am Law scorecard, 95 percent of corporate legal work doesn't require such firepower.

Not enough existential matters to sustain Am Law 200

Skadden and a couple of dozen other elite firms, almost all of them based in the corporate power centers of New York and London, will continue to thrive on the existential matters while the rest of the Am Law club will look for partners in merger-mania, hoping to sustain their four-figure rates with more reach. But the disaggregation of Big Law will continue, Taylor says.

Taylor doesn't claim to be the only architect of this new-model future. FisherBroyles, now with more than 200 lawyers practicing virtually in 21 cities, is a kindred spirit, he volunteers. Potomac Law is another one. The landscape will be dotted with such firms in the future, he says—mid-size firms with big-firm talent that can handle all but the most challenging legal work.

And these lawyers will have a much greater appreciation for the perspective of their clients, Taylor says, because—like their clients—they will have skin in the game.

Robin Hensley's column is based on her work as president of Raising the Bar and coaching lawyers in business development for more than 25 years. She is the author of "Raising the Bar: Legendary Rainmakers Share Their Business Development Secrets."