

Midsize NY Law Firm Sees Niche Practice Areas as Opportunity

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Jeffrey Boxer, co-chair of the litigation practice at Carter Ledyard & Milburn, a Wall Street firm with 95 lawyers, discussed the advantages and challenges of being a midsize firm in a supersized city. He called the commoditization of legal services and corporate clients bringing work in-house the two biggest threats to the firm. The conversation was part of a series on midsize law firms.

Q: How big is your firm, where is it located and what are its primary areas of practice and focus?

A: Carter Ledyard has approximately 95 attorneys, 44 of whom are partners. We have been located on Wall Street since the firm was founded. We are a full-service firm with many interesting and unusual specialty practices such as art law, creditors' rights, tax exempt organizations, fiduciary litigation, employment, Native American law, trade secrets/ poaching of employees, cross-border securities work, patent prosecution and litigation, condemnation and environmental law.

Q: Please explain your firm's governance model.

A: We have a five-person executive committee. Committee members are elected by the equity partners to three-year staggered terms. The executive committee appoints a managing partner who oversees the day-to-day operations of the firm. We have had three managing partners over the past 14 years, all of whom are female.

In January of every year, the executive committee sets the compensation for every lawyer for the coming year. Equity partners have "points," which determine their share of the firm's net income. There is also a bonus pool. Compensation decisions take many factors into account, including collected originations, client relationships, billable hours, firm citizenship and performance trends over a multiyear period. The compensation system is "open," and all partners receive reports showing critical metrics, points, bonus (if any) and total compensation over a multiyear period for every partner.

Q: What do you view as the two biggest opportunities for your firm, and what are the two biggest threats?

A: Our two biggest opportunities are our niche practice areas and our size and structure. We are large enough to be a full-service provider yet small enough that we remain nimble and can quickly respond to client needs and market developments. We are not highly leveraged, which means that we can give partner-level service to clients and maintain quality control. And we practice in specialized areas in which our services are not a commodity, including art law, fintech, noncompetes, tax exempt organizations, estate planning, broker-dealer regulatory and compliance and distressed debt. As a firm that has always emphasized individual client representation, we also bring a culture of personal service to bear in all our practice areas.

The two biggest threats to our firm are commoditization of legal services and corporate clients bringing work in-house. If cost and standardization displace our core values of superior, quality work and personal, high-level legal services in the eyes of legal consumers, then that would be a threat to us.

Q: After the recession hit, the prevailing theory was that midsize firms would start to see more work come their way from large clients who could no longer justify paying Big Law rates. What has been your experience?

A: We have seen some increase in business from clients concerned about Big Law rates. High stakes litigation work stayed with Big Law, while many other types of projects are going to midsize and boutique firms.

Q: Are your clients pushing for more alternative fee arrangements, and if so, what types? Is your firm amenable to those requests?

A: Clients often ask about different types of fee arrangements, and we happily offer alternative fee arrangements, including flat fees, blended hourly rates, discounted rates coupled with success fees and capped fees. Many clients, however, remain satisfied with hourly billing rates (particularly when paired with meaningful fee estimates, progress updates and reasonable hourly rates).

Q: There is much debate around how law firms can foster the next generation of legal talent. What advantages and disadvantages do midsize firms have in attracting and retaining young lawyers, particularly millennials?

A: We have an advantage because our junior associates are trained by partners, not by senior associates. We also give them interesting work and expect great results, and treat them decently and with respect. Associates work closely with partners on all of their matters, and have the opportunity to strategize and ask questions. Matters are not overstaffed, and associates have frequent opportunities to get valuable, substantive experience. We also have structures in place to help associates develop and find their way. We have a formal mentor program. We have an associate development committee, which has equal numbers of partners and associates and provides a channel of communication in both directions. Our executive committee holds an annual "town hall" meeting with associates to explain what the firm is doing and what our priorities are and to answer any questions that the associates may have. We think these programs are working well, and surveys of associate satisfaction bear that out. The firm makes a great effort to ensure that associates are challenged and valued.

Being a midsize firm also allows us to offer flexibility to our lawyers. This is particularly important to our millennial lawyers who have strong commitments to their practices but ask for flexibility as to how to structure their day.

Q: Does your firm employ any nonlawyer professional in highlevel positions (e.g., COO, business development officer, chief strategy officer)? If so, why is that advantageous to have a nonlawyer in that role? If not, have you considered hiring any?

A: Like every law firm [of] our size, we depend on the nonlegal staff that keeps our business running smoothly. We do not employ an executive director or COO, choosing instead to have professional administrative staff report directly to the managing partner or executive committee. We employ managers and directors who head up our finance, IT, marketing/business development, recruiting, professional development and HR functions.

Q: What, if any, technology advancements have you made in your firm in recent years? What are the challenges in implementing tech changes?

A: We have implemented enhanced security and cloud technology that allow us to offer first-class technology to our clients and to meet the technological expectations of the most advanced clients. We have partnered with technology and e-discovery firms to allow us to offer comprehensive, cost-effective e-discovery solutions to our clients involved in litigations.

Cost is often the biggest challenge in implementing tech changes. It is important for a midsize firm like ours to make wise decisions about how and where to spend our technology dollars.

Q: What would you say is the most innovative thing your firm has done recently, whether it be internal operations, how you work with clients, etc.?

A: We recently created a dedicated cybersecurity law practice group. We recognized an existing need that many of our clients had for legal advice in this burgeoning area as well as an opportunity to attract new clients with cybersecurity concerns. Our cybersecurity practice group harnesses the existing experience of lawyers in several different departments and pulls that knowledge together into a cohesive, forward-looking group that advises clients in a wide variety of industries. This cross departmental approach allows us to rely on the firm's regulatory and compliance lawyers, intellectual property experts, transactional lawyers, insurance consultants and litigators to advise clients about compliance with cybersecurity rules and regulations, best practices for cybersecurity protections, the costs and benefits of new cybersecurity insurance policies and how to respond to a cybersecurity breach.

Q: Does your firm have a succession plan in place? If so, what challenges do you face in trying to execute that plan? If you don't currently have a plan, is it an issue your firm is thinking about?

A: Carter Ledyard was established in 1854 so we know a thing or two about succession planning! Unlike at many larger firms, partners are able to keep practicing after they reach age 70 if they wish to and if the management committee agrees. This allows lawyers who often have the strongest client relationships to continue to work with clients while giving the firm ample opportunity for other partners to develop relationships with those clients to ensure that we have a succession plan in place as lawyers approach retirement. More than one partner or counsel works on most of our matters, so client succession is seamless when a partner or counsel is ready to stop practicing.

Succession is important at the management level as well. We have had a turnover of 80 percent of the firm's executive committee in the past three years, making room for newer ideas to build on a successful, stable foundation while remaining true to our core values and dedication to client service.

Written by Susan DeSantis for the New York Law Journal.

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