

Money is Everything

“**Y**ou’re thinking about the starting salary again, aren’t you?”

Annabelle Under-Appreciated asked her ace hiring partner, Sherwood Corrigan.

“How did you know that?”

“Well, I’ve been standing in the doorway for five minutes, watching you pound on that calculator, then slap your head every 30 seconds, so I just took a wild stab.”

“I can’t believe we’re doing it again.”

“Raising starting salaries?”

“Yup.”

“Then why do you do it?”

“Got to.”

“Why got to?”

“Annabelle, I shouldn’t have to explain to you, as recruitment administrator, why we have to do it. We need to compete, and two other big firms in our city just upped the ante by \$10,000 a year. So we’ve pretty much got to follow suit.”

“Well, we’re hiring twenty new associates this year, so that’s an extra \$200,000. Not petty cash, but I guess you partners can handle it without going on the dole.”

“The \$200,000 is just the tip of the iceberg, Annabelle. In order to keep our other associates in the office in line, we’re going to have to raise their salaries, too. Otherwise, our new associates will be making more than the three classes ahead of them. And, of course, we probably won’t be able to do it only for associates in this office. Salaries in other markets are going up, too. And, anyway, it’s tough to have too big a differential between offices, especially when

some of them are located pretty close to one another.”

“That makes it a lot bigger hit, I guess.”

“Yes, and it’s not even the money; well it is, but it isn’t.”

“Sherwood, you’re not making much sense.”

“Well here’s what I mean. If we raise our salaries, either our lawyers are going to have to bill more hours, or we’ll have to raise our billing rates to clients, or the partners are going to have to earn less money.”

“So?”

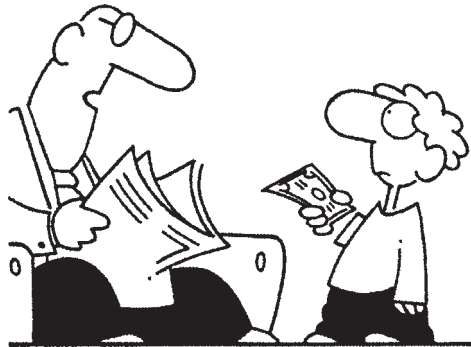
“Each of those alternatives has consequences, too. And they’re not so good. For example, if lawyers have to bill more hours, it’s going to give them less time for themselves and their families. And

associates are already complaining about the lack of quality of life around here. So this will just make it worse.”

“Not only that, Sherwood, we’ve been attracting associates to the firm by telling them that lawyers here have a life outside of the office. If that turns out not to be true, we’re going to have some pretty unhappy campers. Many associates would probably rather keep the salary where it is and not raise the billable hours.”

“They say that, okay, but I doubt I’ll see any of them returning the increase in their pay checks. Some associates will be unhappy enough, though, that they’ll leave the firm.”

“And that will mean that those who stay



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Carol's Column

This column draws on Carol Kanarek's unique perspective as an advisor to law students and consultant to large law firms. Carol can be reached at 212-371-0967 or carol@kanterprofessional.com.

When the American Lawyer mid-level associate survey results were released a couple of months ago, a senior partner at a large NYC law firm emailed me the following question: "Our firm is consistently ranked in the top 10 law firms in NYC in the Vault Report, and we always recruit the top students from the top schools. Why, then, do our mid-level associates seem to despise us?" Here is an edited version of my response.

My conversations with thousands of law students over the years have yielded certain insights, one of which is that associates who had many employment options when they were students often are much less satisfied with their law firm experience than are associates who had fewer options. The latter group is more likely to feel lucky to have any big firm job, and to view his or her experience in practice through rosier lenses. Those who are actively courted by many firms usually have much higher (and often more unrealistic) expectations of their firms of choice. This gap between expectations and reality is exacerbated by several factors, all of which—for better and for worse—are relevant to your firm.

You have very high profits per partner, which makes many mid-level associates at your firm unhappy with their compensation. Many of your associates held prestigious clerkships for two or three years before commencing work at your firm, which tends to make them less likely to be satisfied with the 'project management' aspects of big firm practice. And virtually all of your firm's work is institutionalized, which makes it almost impossible for any partner to have sufficient power to be certain of his or her ability to elevate key associates.

Notwithstanding all of the above, your firm scores much better than most of your true peer firms in this survey. And, for the most part, your mid-level associates do not despise you. Most of them are chronically high achievers who fear rejection, and they simply want more transparency in their dealings with the firm. It's all about communication. Candor almost always trumps 'nice', and fairness is next to godliness.

The Longer View

Most people involved with recruiting and managing lawyers feel they have enough to do dealing with what's on their plate today. This column will try to stimulate you to view things on a longer continuum, and to look to the future.

Much of what your partners think ought to be common sense for new associates (or even not such new associates) is not. Many of those associates are unaware of what frustrates your partners in dealing with them or, conversely, what your partners value.

Take the time to collect that information from your partners. There are many different ways you might decide to do this i.e. interviews, focus groups, survey.

Then help your associates to become successful by sharing the information you have gathered with them. While you may decide to provide the information in writing, a more effective way of communicating it is through informal training sessions in which these issues are discussed and specific hints are offered to associates. Your associates will appreciate your candor in sharing this information with them and the evidence it provides that you are interested in seeing them succeed, rather than in hiding the ball from them.

Idea of the Quarter

In many firms, once the hiring committee has succeeded in attracting an associate to the firm, that is the last contact they have with the new associate or summer associate. Arrange for a meeting between the hiring committee and new associates and a separate meeting between the hiring committee and summer associates. This meeting will show your new and summer associates some friendly faces, and will reinforce the fact that those people are still on their team. If you use these meetings to solicit their opinions it will show that you value their opinions, it may generate some good ideas and it will make your hiring committee aware of the continuing needs of those they have hired.

clientSell

This crassly commercial section ballyhoos a consulting service, which could prove very useful to you (and, of course, profitable to me). Here's this issue's suggestion. Call (847) 864-7657 or e-mail arnie@kanterprofessional.com if you're interested. Additional consulting services can be found on my website at www.kanterprofessional.com

Sure it's only February, but, before you know it, summer will be upon you. Everyone knows that the summer program is the most important source of new attorneys, your most important recruitment tool. But most firms do pretty much what they've done the past five years, perhaps changing the bowling party to a barbecue. Isn't it worth taking a fresh look at what you've been doing, and designing a program that will really convince those prize students you knocked yourself out recruiting last fall to join you permanently? I have worked with firms around the country in designing their summer programs, and would be happy to talk to you about doing the same.

Ask Arnie

Please submit your questions about recruitment or life. The swami will reply.

Should our firm hire only laterals?

Senior partners regularly come up with the brilliant idea that the firm should forego summer associate and new associate hiring in favor of lateral hiring. These partners fail to take account of the fact that, in good economic times, the lateral market is every bit as competitive as the new associate market. They also discount the difficulty of integrating lateral associates, who have grown up in another culture, into their own firm's culture. Perhaps the most cogent reason for many firms not to adopt this approach, though, is because their lateral associates have not been as successful as those they hired out of law school. If your firm has not done so, you ought to consider running a test of the relative success (of course, you'll have to define "success") of new associates (perhaps differentiating between those who were summer associates and those who were not) and lateral associates. The results may surprise you.



Vernā's Views

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Law firms who don't succeed in their diversity efforts overnight react in different ways. Some decide the problem will vanish if they just bolster their minority recruitment strategies or conduct more diversity training. Some cast tokenism as success: "We have a woman in the management group now!" Still others simply give up trying.

All these responses spring from the same misunderstanding: diversity is about numbers. The more you hire, the better you're doing, right? But the truth is that the goal of diversity is not to hire a particular number of a certain kind of people. Though the number you attract may indicate how well your environment supports difference, it should not be your primary focus.

Your ability to foster inclusion is about how willing your leaders are to examine and change the work environment – that complex human stew of organizational culture, leadership, practices, policies and procedures. The ultimate aim is to transform the organization into one that appreciates all kinds of human differences, and sees them as assets to be cultivated in the firm's own interest.

An institution's culture is imperceptible to the majority, those happy fish swimming in water they can't even perceive. By contrast, those underrepresented sense the culture instantly, the precise taste and temperature, norm, language, and tone – and the extent to which it does not work for them. These unwritten norms feel exclusive or even insensitive. "Everyone knows" that you don't actually ask for flextime, even though it's on the books. Jokes get told that don't seem offensive to those of the dominant race, religion or sexual orientation. Mentoring and promotion depend upon people making connections around comfortable commonalities.

A firm that fails to see how its environment runs counter to its diversity goals may make numeric gains in hiring – but the progress won't last. Becoming more diverse and inclusive requires a long-term commitment. It demands a brave willingness to accept that the same culture that was responsible for the firm's success may now be the very thing undermining its diversity goals. In future issues of *clientTell*, I'll write more about what a successful effort entails.

It's never easy. But it's always worth it.

(con't from pg. 1)

will have to work even more hours to make up for it, Sherwood.”

“Exactly. And not only that, when the associates leave in a short period of time, the firm loses the investment we made in recruiting them and in beginning to train them, not to mention the morale problems the departures create among those who remain.”

“And those morale problems make it tougher to recruit new associates in subsequent years.”

“Yes, and, then, when the economy turns sour, as eventually it will, the firm is in the position of having to fire attorneys because they are so expensive, putting associates out in the cold just when they’ve become used to the lifestyles permitted by the high salaries we’ve been paying them.”

“So I’m beginning to think that raising the number of hours maybe is not such a good idea, Sherwood. But you said there were other options.”

“Yes, but those aren’t so ducky, either. We could raise our billing rates to clients.”

“Well, that seems like a better idea.”

“In theory, maybe.”

“What’s wrong with it in practice?”

“The client marketplace is at least as competitive as the law student marketplace. Clients are no longer rolling over and accepting our fee increases. So we may not be able to make our increased fees stick. We may find that the clients decide to look to another law firm, or to take more matters in-house.”

“And that may mean that there isn’t the work to support the increased number of associates we’re hiring, which could lead to our having to let some of them go.”

“Right. You catch on fast, Annabelle. And I love your use of ‘let some of them go,’ rather than ‘fire them.’ It’s so quaint, almost as if we were holding them here in the first place.”

“Well, that gets us to the third possibility you mentioned, which is partners making less money. Why are you smiling, Sherwood? Is that so funny?”

“No. After all, I mentioned it. But partners are not keen on making less money. Most of us have come to believe that it’s our inalienable right to make more money each year.”

“But our partners do make a lot of money. And the salary increase will probably not wipe out all the increase anyway, they’ll just make a bit less of an increase than they might otherwise have. Is that so terrible?”

“No, for many, it would not be so terrible. After all, associates are not the only ones who are working hard. Partners are, too, and many of them would

not want to increase the amount of time that their practice is taking. But ...”

“But what, Sherwood?”

“But some partners are not willing to take less, and many of those are the partners who are the biggest producers in the firm.”

“So they’ll just out vote you in the salary increase?”

“No, there won’t be any vote on increasing the salary. We’ll just do it. It’s worse than that. If the salary increases are not to their liking and it reduces the firm’s net income, partners may vote with their feet.”

“Meaning?”

“Meaning that, with the fluid lawyer marketplace, many of them could easily take the clients they have, go to another firm and wind up making more money there.”

“But won’t other firms have to make the same decision we do, to raise salaries to stay competitive, and won’t they have the same resultant side effects?”

“Many of them will. But some may be in a strong enough economic position to incur the costs and still attract dissatisfied partners at a higher salary...”

“So, what are you thinking now?”

“Only that it’s not just the associates’ salaries that bothers me.”

“What else?”

“Well, there’s the bonus for billing a large number of hours, and the bonus for excellent work, and some firms are also paying an additional bonus because they had a good year. It’s almost as if we’re ordering ala carte; we pay a hefty salary for the main course of a reasonable amount of work performed well, and everything else is extra.”

“Maybe you should eliminate some of the bonuses.”

“The bonuses actually give us some flexibility. We don’t have to pay them every year, unlike the salary increases we’re about to lock ourselves into again.”

“Well, then, Sherwood, if the salary increase creates all of the problems you’ve been talking about, don’t do it. If you can explain it to me, why can’t you explain it to law students and to our associates?”

Old time client readers may recall that Sherwood and Annabelle had this same conversation back in 1999. Some things never change, if you just stick around long enough.