

Introduction

One of the largest changes that has taken place in the legal profession over the past quarter of a century is the lateral movement of partners and practice groups and the acquisition of entire firms by larger law firms. Twenty-five years ago it was somewhat unheard of for partners to switch law firms. Today, it is almost commonplace. Partners who are interested in finding a new law firm, however, may not have yet been able to articulate their specific reasons for such a move. Moreover, as a partner considers whether to leave their current firm, he or she may not yet understand how a legal recruiter can work with them to identify suitable opportunities.

A. Why Partners Switch Firms

There are several principal reasons partners consider leaving their current firms. In analyzing these reasons, it becomes quite apparent that the reasons a partner gives for leaving a firm are more often than not indicators of whether that partner perceives that his or her firm is a profitable and successful organization. While each partner will generally have their own reasons for leaving, the following are the most common:

- To increase compensation
- To move to a firm with a better reputation
- To move to a firm where there is more harmony
- To go to a firm where they feel they can develop more business
- They have been asked to leave

- To get out of a dying firm

1. To increase compensation

At first glance, a partner's compensation would seem to be a fairly predictable calculation. For example, a partner who consistently bills a great number of hours and generates substantial business for their firm would presumably earn more than a partner who does not. However, as discussed below, partnership compensation is not always that predictable.

Over the past year, we have placed several partners who left one Am Law 100 firm and joined another due to compensation issues. While there are many in the legal search community who do not believe that compensation is one of the prime factors motivating lateral partner movement, we strongly disagree: the compensation differentials between partners in various firms can be staggering. This fact motivates countless partners to leave their firms in search of more money each year.

For example, we have worked with attorneys who have consistently had books of business in the \$1,000,000 to \$2,000,000 range who receive salaries below \$200,000 per year, and in some cases even in the \$150,000 range. Similarly, there are numerous partners with books of business less than \$500,000 practicing in major cities throughout the United States who are consistently taking home in the neighborhood of \$350,000 to \$400,000 per year. While there are certainly many

reasons for this disparity, a few of the more notable ones are explored below:

Lockstep Compensation: Under the lockstep compensation system, partners who have been at the firm the longest typically are the ones who receive the largest annualized compensation. Under this system of compensation, vast disparities in compensation can develop between junior partners and senior partners. In fact, under a pure lockstep compensation system, those who are not at all productive in terms of business generation and hours worked may make several times more than those who are exceedingly productive on these fronts.

The Size of the Law Firm: In California, for example, the amount of money a partner earns is most often a function of the size of the law firm they are in. In smaller firms of 15-40 attorneys, for example, the annual compensation of most partners is in the \$200,000 range (there are exceptions to this, of course). In midsize firms of 50 to 125 lawyers, the compensation seems to be in the \$250,000 to \$275,000 range. In firms that are larger than 125 attorneys, the average partner compensation is generally in the \$300,000 range. However, in the most prestigious larger firms the average compensation often exceeds \$500,000 and can approach \$1,000,000. In rare cases, the nation's premier firms pay their most valuable partners over \$1,000,000 annual total compensation.

There are many reasons for these compensation differentials between larger and smaller firms. One of the most important reasons is that larger firms typically do more work on behalf of public companies and are able to charge higher billing rates because of this and their perceived "prestige level." Another reason is that larger firms are more likely to be more highly leveraged because of their ability to afford several associates per partner and profit off the work they can use them on. Similarly, larger firms tend to be more institutional and less dependent upon a few individuals who run their firms somewhat like personal profit centers.

Equity v. Income Partners: Because the above figures represent generalizations, it is worthwhile noting that average profits per partner is an important tool in the attraction and retention of both partners and associates in many firms. There are also vast disparities in the compensation at many of the largest and most prestigious firms that many outside the legal profession are not aware of. Several firms employ income partners who receive income much as an associate does but do not receive a share of the firm's profits. This often results in a large disparity between partners who receive "points" and a percentage of their firm's profits and those who do not. Many larger firms have a distinction between income and equity partners and may have far fewer equity partners who earn astronomical salaries and whose salaries are the

only ones counted in average profits per partner.

Profit Taking Firm Founders: Many firms which are less than 25-30 years old and which have experienced tremendous growth may have a few “big fish” that founded the firm and continue to take a massive share of the firm’s profits. For example, in one well known California firm, a few of the firm’s founders routinely take home salaries in excess of \$3,000,000 per year while most of the partners make in the \$225,000-\$275,000 range regardless of how much business they have and their contribution to the firm. While this particular firm enjoys very high profits per partner, it should be self evident that these profits are not being evenly distributed.

Billing Rates: There are also vast disparities in the billing rates of various firms. Obviously, a firm that is able to maintain high billing rates and whose clients will pay these rates is likely to be more profitable than a firm with lower billing rates. Partners at firms with high billing rates tend to earn more than partners at firms with lower billing rates.

Practice Area Focus: Firms which concentrate on things like project finance, corporate law, or high-profile litigation are more likely to be highly profitable than firms which concentrate on insurance defense or other areas of practice that are traditionally not

as profitable. Accordingly, if a partner is part of a highly profitable practice area in a firm that has a focus on a less profitable practice area, their compensation is likely to be lower than it might be in a firm with a focus on a more profitable practice area.

Firm Overhead: This can have a massive impact on partner compensation. Some of the largest drains on a firm’s profitability, especially in large cities, include having too many associates or burdensome leases. One well-known firm in the United States was led by a charismatic leader in the 1980s who espoused the mantra “you need to ‘show’ money to make money.” While this firm survived this leader’s spending spree, by the time he was done the firm had rented some of the most expensive office space, had tuxedoed waiters serving associates and partners expensive lunches in the firm’s private dining room daily, had a private jet that seated 15, and had spent several million dollars on a seaside estate in the Caribbean where the firm did not even have any clients. Not surprisingly, there were numerous partnership defections at this firm by the time the firm realized the foolishness of its spending folly.

Regardless of the reason that a given partner’s compensation lags, many partners become extremely disillusioned over time by their compensation levels and are motivated by this alone to move elsewhere. While compensation is rarely a partner’s sole reason for switching

firms, it is something that motivates many partners to leave when the circumstances are something beyond their control. To a certain extent, all partners want to have some feeling that they have a certain degree of autonomy with respect to their financial destinies based upon their contribution to their firm. Where partners do not have any control over their financial destiny, they are likely to be more open to switching firms.

2. To Move to a Firm With a Better Reputation

To some 'outsiders', the names of the nation's largest law firms are confusing and difficult to remember. To lawyers, a firm's name is very important, often carrying with it the perception of the firm's prestige factor. As attorney recruiters, we are always surprised by how excited many partners who may have been practicing for 20+ years get about the prospect of interviewing with a firm that is clearly more prestigious and well-regarded than their current firm. Many partners will jump at the opportunity to work at a more prestigious and better-known firm.

Additionally, there are also many intangibles that a partner may receive from working at a better-known firm. For example, as a general - we say general - rule, more prestigious firms are often more prestigious for a reason. Namely, they have better management and this management is able to consistently ensure that the firm has higher profits per partner and attract higher caliber clients. Often, prestigious firms have capitalized on the

value of their firm's goodwill. The prestige associated with representing higher caliber clients makes it easier for partners to attract other clients. Frequently, a partner level candidate is more successful as a rainmaker at a firm that already has all the clients it can handle.

3. To Move to a Firm Where There is More Harmony

While there are several issues that are involved in the lack of synergy between different partners within a given law firm, one of the most defining characteristics of firms that partners leave is a lack of harmony.

Anyone who has worked at a firm where there are profound personality and cultural conflicts knows the types of frustrations we are talking about. Firms that have the best atmosphere have a lot of synchronicity between the partners, associates and staff. They also have a defined vision which is shared by partners, associates and staff alike. When a partner is part of a firm where there are constant internal conflicts, warring factions and so forth, there is a great deal of stress.

About a year ago, we were receiving numerous calls from partners at a top national law firm, and every partner we spoke with seemed to give different reasons for wanting to leave the firm. All of our recruiters were talking among themselves to try to understand the reasons that partners were so eager to get out of this firm. Finally, we spoke with the Chair of one of

the firm's departments, and he summed up the reason that he and others were seeking to leave the firm: "The firm has no soul." When we heard this, it became immediately clear to all of us that this was exactly what the numerous attorneys we had spoken with had stated in different terms as to why they wanted to leave the firm.

Another situation that frequently disrupts the harmony of a given law firm is when the firm decides that it is no longer interested in certain practice areas. For example, one well-known California firm that started out as an employment law firm made the decision several years ago that it wanted to concentrate on and do only certain types of work - not employment work - that would be far more profitable to the firm's bottom line. Accordingly, many of the attorneys who were employment attorneys within this firm made the decision to leave. Based on our conversations with them, it seems as though the attorneys may have felt subtly pressured to do so. Similarly, firm leaders are constantly evaluating what practice areas they believe are the most profitable and generate the most "spin off work" for other firm departments. To the extent an attorney is in a practice area that is not highly desirable they may feel disconnected, or worse - ignored.

In the situation where a firm looks upon a certain practice area as nonessential, serious tensions can develop within the firm. To the extent certain practice areas are undervalued, the partners in these areas may feel they are second-class citizens. Additionally, when certain practice areas

are not important to the firm, associates practicing in these areas of law may perceive very few - if any - advancement opportunities within the firm. This in turn can create unhealthy competition and rivalry among partners working in various practice groups.

4. To go to a Firm Where They can Develop More Business

There are many reasons partners within various firms may conclude that the firm they are working for makes it difficult for them to develop business.

One reason many partners feel that they cannot develop business is due to the increasing billable rates at many firms. As associate salaries have risen over the past few years, so too have the billing rates of partners in many major law firms. Conversely, as the partners' billing rates have increased, many of their clients have become increasingly fickle and likely to change firms based upon billing rates. Additionally, many partners perceive their high billing rates as an impediment to them generating substantial business because the universe of clients who can afford their billing rates is diminished. To the extent many firms exhibit a hard line approach - if your clients do not like our billing rates they can go elsewhere - many law firm partners' books of business may be chipped away at by forces beyond their immediate control.

In addition, many law firms actually discourage some of their partners from developing business. At some well-

established national law firms, there are a handful of partners who consistently generate a great deal of work and simply need numerous service partners to do this work. Since being a service partner is often at odds with increasing a partner's compensation, being marketable and having stability in their career, there is often a great deal of tension among partners who are not supported in their business generation efforts. It is a well-known fact that most senior associates and junior partners have very little in the way of business. This happens for a reason: their advancement has most likely been more of a function of how hard they worked than business they have generated for their law firm.

5. They Have Been Asked to Leave

While law firms tend to be extremely quiet about it, the fact is that partners are frequently asked to leave their law firms. The reasons that partners are asked to leave can vary from one firm to another; however, some of the more common reasons are examined below.

For example, partners are frequently asked to leave when they are nonproductive. There are numerous partners practicing at several top national firms who slow their daily work load, sometimes to the point that they are billing somewhere in the neighborhood of 1,000 hours per year. These partners typically make the fact that they are available to do legal work known to the other partners; nevertheless, they rarely make any true or successful efforts

to generate business. For obvious reasons, these types of partners are some of the first to be asked to leave their firm.

Second, during mergers there are often several attorneys who may find themselves not part of the merger and asked to leave. Oftentimes, an acquiring law firm will choose not to acquire the entire firm, but instead will 'cherry pick' the most profitable partners and associates. This often results in partners being left without a law firm.

There are numerous reasons that partners are asked to leave their firms. While it may seem as though only non-productive or problematic partners are laid off, the truth is that we have seen situations where performing partners are also asked to leave. If a partner is asked to leave their firm, it is important that this partner in all respects becomes extremely proactive in their job search. There is no question that a job search is more successful while the attorney is still employed by a firm, and not after he or she has stopped working. When mortgages, car payments and children are part of the equation - not to mention a career - it is incredibly important that you assume an honest stance about what is occurring and take immediate action.

6. To Get Out of a Dying Firm

The list of firms that were once profitable but have gone out of business is extensive. The business of law is something that is constantly changing. We frequently talk to attorneys who are looking to make a move because they have serious doubts about the survival of their firm.

While there are certainly many reasons that various firms fold, for the most part these firms have suffered problems with leadership. Charismatic leaders with spark who were motivated by seeing their firm grow built most large law firms. As new generations come in to manage these firms, they may have less business savvy and management skills for the running of their firm.

When a firm is in danger of dissolving, many of the partners within the firm may be quick to jump ship. Unfortunately, in many cases, the attorneys who are leaving may bring to their new firms the baggage that got their old firm into trouble in the first place: poor leadership skills and lack of business.

B. How a Legal Recruiter Can Work With You if you are Partner Seeking Greener Pastures

Legal recruiters spend most of their days speaking with law firms, hiring partners and candidates. In choosing any legal recruiter for your search, it is important that you deal with a legal recruiter who truly understands how partners are placed and the methods that successful recruiters employ in the identification of opportunities for their candidates. While the practice of firms simply advising recruiters that they need a partner at a certain level has become increasingly common, the only way to ensure that you find the right position is to use a recruiter who is going to *give you exposure to firms that would in fact be interested in your candidacy*. It is also extremely important that you choose

a recruiter who does not take a casual attitude towards your search.

While many of our competitors post on their web sites and advertise the firms they have (1) stolen attorneys from, and (2) moved them to, this is not our practice. We have never bragged about the names of the firms we have moved attorneys out of or moved them into for obvious reasons: we want our candidates to have more options. Would you hire a candidate coming through a recruiter that recently moved one of your top partners? While many partners may prefer a higher profile search firm than us, we can assure you that this type of flash will not benefit you with all firms and will eliminate several options you might otherwise have had.

While our search methods for partners are somewhat confidential, we do believe that the record we have achieved for partners with both substantial and nonsubstantial business is nothing short of remarkable. In 2000 and 2001, for instance, we have placed numerous partners who had worked with other search firms that portray themselves as the absolute best in the market at partner-level placements but were unsuccessful in getting even a single interview for these candidates.

One partner we worked with recently, for example, worked with another renowned search firm and was submitted to over 30 law firms and did not receive a single interview. We were able to secure this same partner 9 interviews by approaching less than 15 firms. We secured our partner candidate 9



interviews in a two-week period when the prior recruiter had been working with our candidate for more than a year. Similarly, we have placed numerous partners with very little business who had been rejected by numerous firms before approaching us. While there are many "old time" recruiters out there who believe that it is absolutely necessary to have in excess of \$1,000,000 in business for a partner to be placeable, we can tell you from experience that this is not true. In 2000 one of our recruiters, A. Harrison Barnes, placed 5 partners with ZERO business in five separate law firms in San Francisco, California alone.

Below is correspondence with a high-level partner we recently worked with from a major United States firm. For obvious reasons, we have omitted all references to the partner that would in any way identify who the partner is. In some instances, we have changed some of the text to protect this partner's identity. This letter went into considerable detail because this particular partner had been at their firm for over two decades and was unsure about how the process worked.

We have included this letter because we believe that it provides a good understanding of why we are a good search firm for partner-level candidates.

Following our conversation of last week, we believe it is appropriate to give you a brief overview of how our job at Law Firm Staff works. For all intents and purposes, attorney recruiters are like sports or talent agents. While someone

like Madonna may have dinner with Steven Spielberg every few weeks, if she were going to work with him, she would engage the services of her agent. We are agents.

An agent's job is to ensure that you (1) are aware of all existing opportunities and (2) attempt to maximize both your short and long term income. Given your high compensation level of \$600,000+ per year, and the prospect of massive variations in the income you would receive in various law firms throughout Chicago, it is my opinion that using a recruiter is in your best interest.

From what we understand, you have several objectives including: (1) joining a firm where you will have the opportunity to do your own work in a "solo practitioner" type of role, or (2) joining a larger firm where you will be able to easily transition your current clients and have a traditional support system of associates, paralegals, a library and so forth. In terms of any identification of firms we are giving you, please keep in mind that we are also factoring in a variety of cultural and other factors that we have garnered from the time we have spent with you.

There are a few things that may be beneficial for you to know as you think about all of this. First, the cultures of law firms can differ vastly. As you go forward, we are confident that you will be speaking with places where the cultures are vastly different from those

you are used to and the “feel” of the firms is right. We only offer this advice because we have spoken with many partners in major firms who - like you - thought about going (1) in house and (2) starting their own firms at one point. Having met with probably 75 law firms over the past year on behalf of LFS, I believe that there are some really super places to work out there. What I am saying is that I sense you may have reservations about working in another law firm, and these reservations may not be entirely justified once you investigate the various law firm alternatives.

Second, it is extremely important that you move quickly to instigate your search regardless of whether you use a recruiter or not. In some cases, lateral partner searches can take six months or more, and the negotiations and work involved (conflicts checks, due diligence and so forth) can be enormously drawn out and frustrating. (This is another reason, incidentally, to use a recruiter because we do most of this work.) By approaching “good targets” at the outset, you will ensure that you (1) have a position lined up when you are ready to leave your firm, and (2) give yourself “negotiation leverage” with the firms which will inevitably draw out their discussions with you.

In terms of how you should proceed with your search, we recommend the four steps set forth below. First, we recommend that we immediately approach certain firms pursuant to

your approval. Second, we recommend that you choose other firms you might be interested in from a more detailed list we have provided. Third, we would recommend that we perform “blind submissions” with these firms to see if they would have any interest in you based upon your general qualifications (i.e., your historical business generation and the fact that you are a partner in a top national law firm). Fourth, we would recommend that we approach the firms that express interest in you after this step. Our job is to get you a job and this is the way to make this occur. On our end, these four steps generally involve an investment of at least 200 hours of one of our recruiter’s time. Given your historical business generation levels and our faith after meeting you that you are almost certainly placeable, we are willing to make this investment.

First, we should approach firms that we know from experience will have an immediate interest in your candidacy. We have compiled a list of firms which will have an interest in speaking with you based upon your historical business generation levels, the quality of your education and the fact that you are coming from a highly prestigious law firm. [SEE EXHIBIT 1] The point of this exercise is to start the process and make sure that we secure a position for you. We have not contacted any of these firms on your behalf to date; however, I would estimate that most of these firms would have an interest in you.

Most of the firms in Exhibit 1 have interviewed partner-level candidates of ours in the past who have levels of business compatible with your own. An additional fact we should add is that you are going to be exceedingly attractive to each of these firms based upon the stability of both your business generation abilities and the time you have been at your current firm. We also believe these firms are good fits for you culturally and are an excellent match in terms of what you are looking for.

Second, while we realize that you are conducting a “dog and pony show” of sorts in your selection of recruiters, we should add at the outset that our job at Law Firm Staff is not to steer you towards any particular firm, but to ensure that with your input we find the firm which best matches your interest. Accordingly, while we will certainly not approach every firm in Chicago on your behalf - or recommend that you do so - you should realize that there are very few firms in Chicago that we consider off limits to marketing you to.

Accordingly, it would be helpful for us if you could compile a list of the firms where (1) you believe you have excellent contacts and (2) would also be comfortable entering into discussions with. I have attached a list of all the firms in Chicago that are of any significance. [SEE EXHIBIT 2] You can use this list to “jog” your mind about firms you have dealt with in the past or may have heard something about. You

should try to broaden the small list of firms to contact immediately with firms from Exhibit 2. If you want to do any research on these firms, please feel free to contact me and I will provide you whatever information you need including a LEXIS password.

Third, once we have put together this second list, it will be useful for us to ensure you maintain a low profile in the legal community by having us approach these firms through “blind submissions.” What a blind submission will do in effect is identify the firms that are likely to have an interest in you based upon your general background. Given the strength of your record, your business and the strength of your current firm, we do not believe that it would be inappropriate for you to approach any firm in the Chicago area anonymously in this manner. Once we have identified which additional firms have any interest, we can carry on more in-depth discussions about the individual firms.

Fourth, we would formally initiate contact with the firms that expressed interest in Step 3. By this time, it is my guess that you will already have had several interviews. The strength of this strategy is that you will have better interviewing skills, a better understanding of your market value and more confidence when you do approach the second-level firms. You will also have better negotiation leverage and may feel comfortable communicating with your clients that

you are investigating other firms and want to know their opinions as to where you should go. Your clients can then provide references to decision makers within the firms we have approached on your behalf, increasing your likelihood of employment with these firms.

At each step of the way, we will ask you to review the written work that is originating from our offices so that you feel comfortable with it. We think you will find that this can be an enjoyable process, and I am anticipating that you will be very happy with the results we are able to achieve on your behalf. We also want you to know that we take your interests very, very seriously and in working for you we will do everything within our power to ensure you achieve the results you are seeking.

C. Conclusions

When a partner moves to another firm, the transition is complicated and often requires extensive effort to address all the issues that the partner wants to resolve in making the move. Leaving a firm is particularly difficult when the partner has been practicing with a group of people who have become friends over the years. Even so, changing firms can give partners the single most important thing many want in terms of career advancement: control over their destiny.

Taking control over your career is possible: we suggest that partners interested in a career move use a recruiter who is going to give you the proper exposure in your search and perform your search in an appropriate manner.