

Zen & The Art of Legal Networking

INSIGHTS & COMMENTARY ON RELATIONSHIP BUILDING WITHIN THE INTERNATIONAL LAWYERS NETWORK

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ILN Conference Re-Cap: Law Firm Management Panel

One of our sessions during the ILN's 2010 Regional Meeting of the Americas in Houston focused on the always popular topic of law firm management. The panel was moderated by our Chairman, [Peter Altieri](#) of [Epstein Becker & Green](#) in New York. On the panel were [Steve Arthur](#) of [Harrison & Moberly](#) in Indianapolis, Indiana, [Carlos Rodriguez-Vidal](#) of [Goldman Antonetti & Cordova](#) in San Juan, Puerto Rico, [Doug Winthrop](#) of [Howard Rice](#) in San Francisco, California, [Bill O'Neill](#) from [McDonald Hopkins](#) in Cleveland, Ohio and [Anders Lundberg](#) from [Hellstrom](#) in Stockholm, Sweden.



Creating Demand

Altieri began by saying that one of the challenges in the current economy for firms is creating demand. In the past, they had much more pipeline work than there is now, in part because clients are trying to do more in-house. He added that even the big firms are coming in and being price-competitive, and asked the panelists to comment on this.

Winthrop said that his firm has been seeing a tremendous rebound in the litigation sector of the firm, which has them quite busy. Now, they're facing the issue of whether to hire more attorneys on the litigation side, or ask the business lawyers to chip in. He said they're concerned that they'll find themselves with overcapacity, so they've addressed the issue by doing both.

Rodriguez-Vidal said that Puerto Rico is very connected to the US, commenting that "When the US gets a cold, we get pneumonia." He said that there are 13,000 lawyers in Puerto Rico, with fewer than 600 in a law firm context.

Rodriguez-Vidal commented that usually when the economy is bad, firms see more litigation. However, that wasn't the case during this crisis, because companies were being much more cost-conscious. He said that the need to carry two associates for every partner is no longer there.

Associates - Work/Life Balance is a Priority

Rodriguez-Vidal said that the firm has found that a lot of associates don't seem to believe that they want to stay in the law firm, and there was murmured agreement from the other attorneys in the room. An audience member asked whether this is because there isn't room at the firm, or because they don't want to, and the answer was both.

Arthur said that young people are more concerned with a balance of life, and don't buy into the idea that you work zillions of hours for a partner and then take over from them someday. He said "Looking back over the years, they may have it right," and the audience laughed.

He said that he doesn't even remember thinking that he had the option as an associate of turning a partner down when they called him in at 10pm to work. Arthur added that he's not sure this attitude is all bad, but that it does create an economic issue for the firm.

[Stuart Gerson](#) of [Epstein Becker & Green](#), Washington, DC said that he's not sure that it's sustainable. He said there's starting to be the question of whether law school is valuable, because of the debt that graduates incur. He feels that it will winnow out those who don't want this lifestyle - they just won't go to law school.

Arthur said that the paradigm has shifted in the last few years and that those coming out of law school just can't find jobs. He said that the market is such that firms probably could pay associates what they pay their secretaries, and they would take it. He added that his firm doesn't do that, but they could.

An audience member asked why firms don't pay associates less, whether it's because of pressure from other firms. Arthur answered that it just seems counterintuitive to pay someone with so much schooling and optimism so much less.

[Blake Tartt](#) of [Beirne Maynard & Parsons](#) said that 52 years ago when he started, he made less than a secretary makes. He said that it was in the late 60's, early 70's, when they started these fantastic salaries for associates.

[David Russell](#) of [Harrison & Moberly](#) commented that the elephant in the room is really that clients are putting pressure on firms to do more for the same rates. As a result, the associates are suffering unless the partners are prepared to take less money. [Bill Holder](#) of [Clark Wilson](#) in Vancouver agreed, saying that partners have become used to a certain salary, so associates suffer.

O'Neill said that they've experimented with a two-tier system for associates, and gave an example of having a great candidate come in to work at an hourly rate as a test. He said it worked out great with this particular candidate, and they offered him a full-time job.

He said that the challenge is finding great talent in these markets and added that his firm tries to be more creative about doing this. Instead of using headhunters, they pay associates to recruit.

Lundberg said that the internal challenges for him as managing partner of his firm in Stockholm are very much the same as in the US. He said that his main challenge is to rejuvenate the firm, and they're finding that young lawyers aren't prepared to put in the same amount of work. He added that they're also finding it a challenge to have associates come up to partner level.

He commented that Sweden hasn't been as badly hit by the global economic crisis, although most firms have taken about a 10% cut in the past three years. He said that there's not much the lawyers can do about it other than hoping that the market comes back.

In the past, they used to take associates after a two-year clerkship, but now many firms are taking them right out

of law school so that they can train them. The issue is now distinguishing one law firm from another to clients. Law firms need to have a clearer profile for why clients should use the firm. This was later echoed in [Jeff Carr's presentation](#) from the client perspective.

Marketing Your Law Firm

Rodriguez-Vidal asked whether firms have hired PR firms, whether it's been successful in helping them gain visibility, and how to quantify this. O'Neill answered that his firm finally found a decent marketing director by hiring outside of the legal industry. With her, they've had success with roundtables and client alerts.

Winthrop added that this isn't always quantifiable - he talked about an associate at the firm who started a blog, saying that "now you can become an expert overnight." The associate's blog became so successful that he left the firm and is now working as a consultant.

Arthur said that firms can spend time and money on marketing, but he feels that if you're good lawyers and deliver a good product, that gets out into the community. He said that some of the traditional things lawyers have been doing all along in marketing still work, and that word of mouth is still the best strategy you can have for marketing a law firm.

[Michael Lasky](#) from said that the temptation is to look at ROI as calls from new clients, but that it should include benefits with existing clients. It doesn't make it easier to measure, but ROI from engagements should include a reputation management component and defensive measures. He emphasized, "Don't let clients ever think twice about using your law firm."

Arthur said that in Indianapolis, they're having merger mania, which puts a lot of stress on firms because they don't know what other firms will be the next big firm because of mergers. It's difficult to decide as partners whether to keep what they have or merge with a bigger firm.

Lundberg said that there's also a sense of desperation. The old way was to work hard and have partners with a lot of contacts. Now, it's commoditized. He feels that law firms should be more like a hotel - clients come in all the time and firms take advantage of this. He recommended mixing clients and non-clients together.

Alternative Fee Arrangements

Altieri asked the panelists to comment on alternative fee arrangements. O'Neill said that they developed an alternative fee policy six months ago, and found that the challenge is whether the firm had had enough experience to properly price matters.

Winthrop said that his firm does a number of alternative fee arrangements, which are pretty varied, and added that some clients have no interest in them. He said that 9-10% of billable work in the US is under some kind of alternative fee arrangement, which is a low number considering the hype.

He gave a couple of examples of the types of alternative fees that they do, including a business and litigation case where the parties were not as focused on the rates, but on the risk of one of them dropping out and not sharing the cost. He also mentioned a flat monthly fee for as long as a case goes on.

Winthrop said that as to the problem of estimating costs for flat fees, it's better to do it when the firm has a good relationship with the client and there's an out for both sides. He said it's more typical to see discounts and success fees, and emphasized that firms need to be proactively raising alternative fees with their clients.

Rodriguez-Vidal commented that in Puerto Rico, their fees are much lower, but they still get requests for alternative fee arrangements. He said that there isn't much disparity between the rates charged by young associates and top partners at the firm, but said that sometimes institutional clients will request flat fees or

discounts.

[Marty Beirne](#) of [Beirne Maynard & Parsons](#) said that some clients have "most favored nation status," which keeps the firm from taking on anything cheaper. His firm, which is litigation only, has a little over 17% that are fixed-fee revenue cases. He said that if a firm is holding itself out as an expert, it should know what the costs will be.

In the last couple of years, all new clients think that the firm is trying to cheat them with an alternative fee. Beirne said that they have a deal with their clients that, even though they're using an alternative fee, they'll keep their time and do a true-up at the end of the year, splitting the difference. He added that in each of those instances, they've gone to a flat fee the following year. It was simply necessary to develop that trust.

From a commoditization standpoint, Beirne thinks the legal industry will see a lot more fixed fees and said that the legal industry will see some pretty radical changes that might surprise everyone in the room.

Lasky asked whether any of the audience members use volume discount arrangements, and [Michael Slan](#) from [Fogler Rubinoff](#) in Toronto said that they do that a lot, often with banks. Lasky said that he's found it to be an extremely useful marketing tool. He added that they offer it before a client asks, saying "If a client asks you for a discount, you're already in a bad place."

Winthrop agreed with him and said that it's important to have a dialogue about having more work with clients. Rodriguez-Vidal asked whether firms give discounts for prompt payment, and the audience agreed that they do.

Winthrop commented that firms will have to face the dis-aggregation of legal services and outsourcing. He said that his firm is making sure that they're competitive, and he cautioned that other firms are looking hard at that, and you don't want clients to wake up one day and see that.

Gerson added that a lot of clients are more concerned with lawyers than with firms, so lawyers can almost put together a virtual team, which can also help to control costs. Altieri agreed, saying that the days of taking underutilized associates and having them do document review are over. He said that his firm uses a service to find their temp lawyers, which allows them to screen people and see their resumes. He said there's an amazing amount of business savvy among this group, and said that it's all about keeping clients happy.

I was tweeting from the conference, and following along was our member from Santo Domingo in the Dominican Republic, [Santiago Mejia Ortiz](#), who said that at his firm, they've been reducing a percentage from litigation for clients with a monthly consultation agreement.

Incentivizing Associates

[Ricardo Cordero](#) from [Cordero & Cordero Abogados](#) in Costa Rica asked the panelists how they incentivize associates on a good partnership track to develop business. Rodriguez-Vidal said that his firm uses the incentive of commission, which has varied over the years. Currently, they're at 10%. He added that it's also taken into account when the firm does reviews.

Winthrop said that over the years, they've emphasized business generation as associates come up through the ranks. O'Neill said they've had a similar experience, and don't base their formula on compensation, but it is reflected in their bonuses. He said they're placing greater and greater emphasis on business development and require their associates to have a plan for this in their reviews.

Lundberg said that they have a flat 10% commission as well, but also emphasize that it's becoming more and more important, particularly for senior associates. He said that in the long run, being a lawyer means attracting business.

Arthur agreed with his fellow panelists, saying that he's noticed that it depends on the person. If they're not incentivized, only the go-getters will develop business. But if you do give them an incentive, they'll figure out how to go out and develop business.

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