Practical Success

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There's More to Life Than Profits Per Partner

Did you read it? Did you read Noam Scheiber's New Republic article: *The Last Days of Big Law: You can't imagine the terror when the money dries up?* The article addresses how law firms have fallen from the golden age. It all started when The American Lawyer started publishing the Profits-Per-Partner of law firms. The article focuses primarily on the Mayer Brown law firm, but as I read it, I thought it was written about my old law firm. When you read the article you might think it is describing your law firm. I urge you to read the article even if you are in a small law firm. Here is a quote from the article: "Part of the reason the law-firm ecosystem has changed so dramatically in a single generation is greed...."

At the risk of reminiscing about the *Ozzie and Harriet* and *Leave it to Beaver* days, I have to say that when I started practicing law in 1971, lawyers were not driven by greed. I remember when I was an associate, I was never told I needed to bill more hours. I was never rewarded because I had x number of billable hours. I thought I was being paid a decent amount of money ($14,000 my first year). My focus was on my work, not my hours. I loved practicing law back then. A partner for whom I did work once told me:

"As a lawyer you will likely never be rich and likely never be poor. After all, you can't make money practicing law while you are sleeping."

The partner who shared that advice is still alive. I am sure when he gave me that advice, he had never heard of "profits-per-partner." I wonder what he would say about firms with average profits-per-partner well over $1 million dollars, and associates required to bill so many hours that you wonder when they get a chance to sleep.

We all recognize that the legal profession has changed, and it will continue to change. The focus is increasingly on money, partners leave firms to join other firms where they can make more money. Partners in some firms not only compete against other firms, but also compete against partners in

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their own firm. Associates in big law firms have no security. Interestingly, at least since 2008, partners in big law firms also have no security.

Read the story in the article about the associate who brought in a major financial transaction from the bank where he worked previously, only to have a partner congratulate him and then take the work away from him.

If you think this rarely happens, I want to share a story with you that a father shared with me.

The father had been very proud when his son finished law school and became an associate in one of the nation's most successful law firms. One reason the firm had hired the son was that he spoke Japanese and had spent time in Japan while in college. When the son was a sixth-year associate, he completed a complicated deal for a Japanese corporate client. The client was so happy that they paid the firm a significant bonus and wrote the firm's managing partner a letter, extolling the associate's work.

Sounds like a good situation so far, right? If you had been the firm's managing partner, what would you have done at that point?

The managing partner told other leaders in the firm, including the associate's department chair. The law firm leaders never told the young lawyer about the bonus or about the client's rave review. I guess they somehow could not imagine that the client would send the associate a blind copy of the letter.

Why did the partners keep the bonus and the praise secret? It makes no sense to me. Could it be the "greed" motive mentioned in the New Republic article? You don't suppose it was because they did not want to share any of the bonus with the associate?

The young lawyer, fluent in Japanese and rich in entrepreneurial skills, left the firm, took the client with him and joined a competitor. The firm lost a client and an immensely valuable lawyer. Sadly, the firm leaders did not likely feel the impact of their mistake—and alter their management style—because the short-term impact of losing an outstanding associate on their profits-per-partner was minimal.

After the recession began, this firm laid off staff, associates and income partners, demoted some equity partners and found every other possible way to cut their costs. As a result, they proudly reported that while their revenue was down for the year, their profits-per-partner had actually increased.

One thing made clear from the New Republic article is the only security any law firm lawyer has in 2015 is having clients and generating revenue, and most lawyers are not equipped to meet that goal.

Even lawyers with a dedicated mentor have trouble making equity partner unless they meet a second criterion: demonstrating a potential for attracting clients. When, somewhere between the second and fifth year of their legal careers, they discover that brainpower is only incidental to their professional advancement—that the real key is an aptitude for schmoozing—it can be a rude awakening.

Rarely is an aptitude for schmoozing the factor that produces clients and revenue. But, the article correctly makes the point that brainpower alone is not enough to survive in a law firm today. Young lawyers need to learn how to attract, retain and expand relationships with clients. I enjoyed learning those skills long ago, and many young lawyers enjoying learning those skills in 2015.

I believe learning and becoming successful in attracting, retaining, and expanding relationships with clients is one of the only ways to change the Forbes finding: *No. 1 Unhappiest Job: Associate Attorney.*