

## The Road to Better Retention Of Associates

Make Sure the Experience Base Sticks Around

by David Galbenski



**C**orporations expect their law firms to manage the cost of legal services on their behalf, and ineffective cost management is high on the list of reasons that law firms are fired. Specifically, it has become clear in recent years that most corporations are not willing to pay the tab for training law firm associates on the job. As a result, firms are finding that they can flaunt their strength in retaining seasoned associates as a selling point to their corporate clients.

The trick these days is to figure out how to hold on to associates as their billable value increases. A 2006 survey published in "The American Lawyer" identified "poor associate retention" as one of law firms' biggest disappointments. Indeed, the trend toward lateral partner hiring confirms that the "free agency" mentality permeates the entire legal services profession.

Funding associate pay raises to increase retention is an ever-increasing struggle for much of the industry. Nevertheless, law firms have hiked starting associate pay rates significantly in 2007. When a law firm raises its base associate salaries, that affects the salaries of associates hired the year before, and the year before that—resulting in a trickle-up effect that strains the revenue model. The options then are to pass the added cost to clients, or to take it from equity partners' compensation.

Even if a firm can overcome the financial challenges, there's no guarantee that pay raises for associates will work. In fact, it may not even be likely to work. Lumen Legal polled Am Law 200 law firms (culled from a database of several hundred thousand legal professionals) and got some surprising results: 64 percent of respondents felt that an increase in associate salaries would either have no impact on associate retention, or actually contribute to a decline in retention. Within this group, 9.5 percent indicated a slight decline; 11 percent a significant decline. In other words, offering more money tends to promote a "jump ship for another buck" mentality and environment.

If pay raises aren't doing it, what are associates looking for? A clear path to becoming a partner; this has been the traditionally-assumed motivator. Opportunity for advancement is high on any professional's agenda. However, frequent recognition for efforts along the way is another important ingredient.

Another problem, however, can be the nature of the work that associates are doing day-to-day. They worry that tedious and repetitious document review and preparation work could be filling their days for months or years to come, an expectation that can foster job dissatisfaction over time. An increasingly popular alternative is the use of temporary "per-project" contract attorneys.

Am Law 200 firms now understand that contract lawyers can take on tasks that would traditionally have gone to an associate on partner track. Mundane document review tasks are unbundled and outsourced to services that deploy contract attorneys and paralegals, typically at a lower cost structure.

As firms see the funnel start to close in terms of the march from associate to non-equity partner to equity partner, it's to their advantage to distribute lower-level tasks to these contract lawyers, so that the associates they do take on have a greater probability of becoming an equity partner. It cuts costs for the client, and the firm still has the resources to bring in top talent.

Whether it's sending work overseas or looking to regions of the country with lower billing rates, CLOs appreciate cost management efforts. Law firms that close the price-value gap get more business because they build trust with their client. They show that their firm is doing what is in the best interest of the corporation they represent. It will ultimately get them more work and lead to greater profitability, even though they initially "gave away" some margin by bringing in contract help.

As the mission to build with the best evolves along with business climate changes, law firms will find that a motivated work force of seasoned associates is a potent marketing tool, as well as a profitable way of doing business. Creative management decisions and initiatives that recognize

achievement and optimize the use of talent should be a high priority for partners. ■

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