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*Strategic Management Consultants*

## **Strategies in the War for Talent – Recruiting, Developing and Retaining Great People**

**By John Sterling**

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It has become cliché to say that a law firm's most important assets walk out the door every night. Yet, getting, developing and keeping great people must be at the center of virtually every firm's strategy. Having high quality people is fundamental and it is what is driving the so-called "*war for talent*."

Managing partners and practice leaders tell us that the single biggest demand on their time is in resolving people related issues. Yet, much of that time is spent fighting fires – responding to near term lateral opportunities, ameliorating relationships among partners and practice groups, coaching, cajoling and mentoring. Unfortunately, despite all the time given over to managing people issues, remarkably little of that time is focused on long range strategic thinking about their people as the primary strength and asset of their firm.

As strategy consultants, we often have the luxury of looking at people issues on a longer horizon. We have found that an analytical look at demographics – both at the firm (micro) level and national (macro) level – can be very helpful in providing direction for people focused strategies. Today, most demographic analyses are directed toward the development of strategies related to improving gender, racial, cultural, and intellectual diversity.

As a result of that entirely justifiable focus on diversity, however, we believe there are three potentially overlooked demographic issues that most firms will need distinctive strategies to address:

- The impending retirements of baby boomers (particularly early boomers)
- The need to develop firm and practice leaders among late boomers and Generation X
- The fierce competition associated with recruiting, training and retaining quality associates from the millennial generation.

### **BOOMER RETIREMENTS**

The oldest baby boomers are now 62. Many boomer attorneys see their friends – who went the corporate management or investment banking routes – comfortably retired. For many firms, forestalling the retirement of older boomers is a critical issue. Firm and practice leaders are drawn from this group, the most highly productive rainmakers are too, and many partners from this generation are considered to be the cultural "*glue*" within their firms.

Recent settlement of the Sidley age discrimination suit has led to a spate of articles speaking to the legal practicalities of amending retirement policies. Other articles highlight a "*blinding glimpse of the obvious*" – namely, that firms should try to retain highly productive older partners. Of course firms should hold onto productive people, especially those managing strong client relationships. Further, firms need to reward those individuals for successfully retaining and transitioning relationships to younger partners.

However, we believe the issue of pending boomer retirements (mandatory and voluntary) portends a bigger demographic challenge – beyond the obvious need to keep productive people and steer clear of age discrimination.

- First, there is a broader workforce issue at stake as it relates to boomer retirements. Simply, as firms have grown (both large and mid size), the number of law school graduates has not kept pace.
  - We are not suggesting that senior partners need to be retained because there are not enough associates coming through the pipeline.

- But, with the scale and complexity of legal work continuing to grow, we are suggesting that firms are ill-advised to let experienced people walk out the door – regardless of how well (or poorly) leveraged their firm is.
- Over the next five to ten years, firms are going to be hard pressed to maintain the level of capacity they need – if they continue to churn through older lawyers (and others looking for a career path beyond “*up or out*” partnership tracks).
- There are critically important institutional reasons to hold onto senior people. As noted above, many of these individuals are the leaders (formally and informally) and/or the cultural glue that bind the firm together as an ongoing institution.
- Further, transitioning general counsel and other client relationships from generation to generation is a very sensitive proposition. The best and most effective approaches we have seen to this delicate transition process involve years of effort – including maintaining some level of involvement and contact by the senior lawyer, long after the substantive working relationship has passed to the next generation.

We believe that firms that find ways to enable senior people to slow down – and stick around in productive roles – will gain a significant “*people advantage*.”

### **FINDING LEADERS AMONG THE LATE BOOM AND GEN X**

Many demographers underscore an important, but often overlooked, characteristic of the baby boom generation. Boomers are in many respects two overlapping cohorts. Late boomers, born between 1956 and 1964, often have more in common with their Generation X peers than they do with early boomers. For instance, none in this group were eligible for the draft during the Vietnam War, most do not remember where they were when JFK was assassinated, and many entered the workforce after early boomers had already begun ascending career ladders (in law firms and corporations).

Today, late boomers and Gen Xers are the mid-career and younger partners in law firms. They are the next generation of leaders, relationship lawyers, et cetera. However, they tend to differ in important ways from their more senior colleagues vis-à-vis their perspectives on how to advance the interests of their firms.

- Perhaps most importantly, this group tends to be considerably more team oriented with regard to marketing and business development. Reasons for this different orientation include:
  - A heightened need to work around existing client relationships (i.e., potential conflicts) in targeting potential new clients for the firm – a need that has grown as firms have grown and clients have become more institutionalized
  - A recognition that the scale of transactions, complex litigation and business generally has grown – and that growth implies that high quality teams are often more credible than individual stars
  - A growing formality in how general counsel select outside law firms – including a growing emphasis on formal RFPs, “*beauty contests*,” and pointed evaluations of the depth and breadth of law firms seeking their business.
- Late boomer and Gen X lawyers have been much more forthright in segmenting themselves based on the value they place on work/life balance. This generation expresses considerably more openness to alternative career paths and accepts the notion that there should be meaningful trade-offs associated with the intensity of work and the rewards that go with that intensity.

The first point (team orientation) begs the question – does (will) your firm’s partner compensation system reward team oriented behavior vis-à-vis business and client relationship development? Firms will need considerably better ways of tracking and rewarding teamwork in the future to hold the best people in this late boom/Gen X group.

The second point (this generation has segmented itself vis-à-vis work/life expectations) highlights an important consideration. Namely, if a lawyer from this cohort has been elected to equity partnership (particularly in the current environment), it is fair in most cases to assume that he or she intends to be and remain highly productive for a long period of time. To the extent your firm is still applying stereotypes (e.g., slackers) to Gen X, it is time to let go of these assumptions. Your younger partners are your future leaders and those who have stayed and matriculated to the partnership are clearly committed to the firm and their careers.

## **WHAT ABOUT ATTRACTING AND DEVELOPING THE MILLENNIAL GENERATION?**

The millennial generation (born after 1980) have always had personal computers. They reached adolescence and young adulthood at the apex of the internet boom. They have extensive social and professional networks – including many that are maintained entirely online. And, most enter the private practice of law with no intent or aspiration to become an equity partner – 80% never make it to their seventh year as an associate at the first firm they join.

It is extraordinarily expensive to recruit a new associate, train them for two years, and then lose them to another firm or another career. Frankly, in an environment in which four out of five new recruits leave before they reach eligibility for partnership consideration, one would expect considerably more creativity and innovation regarding the entire recruiting and training process.

Yet, many firms' new attorney recruiting process identically mirrors their competitors' (and the larger the firm, the more likely they fit this pattern).

- Observing the periodic escalation of first year (and consequently all) associate compensation is like watching lemmings follow each other over a cliff into the Bering Sea. For the most profitable firms, the escalation in pay is like the US/USSR arms race or the final moves in a Monopoly game – they are positioned economically to win. For everyone else, a different approach is desperately needed.
- Simply put, most firms “*interview*,” they do not “*recruit*.” They deal with who signs up to interview rather than who they want to join the firm.

There are some interesting responses to the inflation in associate compensation emerging among quality mid size firms. For Instance, a mid-sized Chicago based firm is on record as offering two alternative associate compensation tracks – determined by individual associates' commitment to chargeability. Likewise, a mid-sized Atlanta based firm pays first and second year associates at a lower rate than the threshold set by national firms. At year three, associate pay at the firm takes a significant step change (bringing pay in line with the largest national firms in town). We applaud these and other creative approaches to pay inflation.

In addition to associate pay, high turnover rates absolutely demand a more creative and strategic approach. Firms need to address both retention and lateral associate recruiting. That includes actively developing and (internally) promoting alternative career tracks that work economically and culturally. Further, it implies pursuing lateral talent through new channels (for instance, the social networking tools those technology savvy associates already use).

## **POTENTIAL STRATEGIES**

The strategies appropriate for your firm must respond not just to these broad demographic factors, but also to the specific demographic make-up of your own firm. With that caveat, we offer a half dozen suggested strategies for addressing these demographic challenges.

- Review and amend the partner compensation system with an eye toward ensuring the firm equitably rewards:
  - Team selling, client service, and relationship management
  - Effective transitioning of institutional relationships – including the long tail associated with maintaining relationships after successful transition
  - Behavior consistent with the firm's long term strategic direction and its values.
- Create distinctive career tracks (with non-demeaning nomenclature) that reward and retain people who are smart and capable, but not driven to make partner.
  - Naturally, that requires ensuring the economics of the new career tracks work for everyone (the firm and its lawyers).
  - Given the rates that more experienced attorneys command, however, that should be a threshold most firms can cross.
    - It is a strategy that can be used to retain younger and mid career lawyers – reducing turnover and the associated costs.
    - Further, it could provide part of the solution for retaining women attorneys who simply need to take a temporary break from the partnership track.

- Build new bridges into the firm for laterals – particularly lateral associates and others who improve the leverage and profitability of the firm. Given the level of effort and resources firms are putting into lateral partner recruiting, some of those resources could be reallocated to lateral associate recruiting to maintain profitable leverage ratios.
- Use practice group management, departmental management, and client service team leadership as training vehicles to develop leaders from the late boomer and GenX partner group. Give them real responsibility, not just seats on committees (where they are not held accountable and have no power).
- Create long glide paths to keep senior attorneys working in productive roles. Harness their commitment to the fabric of the firm and its enduring relationships. And, recognize that the firm can likely find the means to reward those lawyers via the substantial rates they remain able to command.
- To the extent it constrains your thinking, break-out of the follower mentality associated with new associate recruiting and compensation. Re-engineer your overall recruiting process to reflect a decided bias toward recruiting those law school graduates who fit the model (of skills and experience) needed by your firm. And importantly, balance law school associate recruiting with lateral associate recruiting.
- Finally, do some benchmarking outside of the legal profession. For instance, the “*final four*” CPA firms have been particularly creative at addressing these issues and can offer some real insights to potentially differentiating approaches.

People (and demographic) issues are only going to grow more pronounced as the legal industry emerges from the current slowdown. We strongly encourage all firms to get more analytical and more creative as they develop the next round of people oriented strategies.

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