

New Generations of Lawyers Seek a Better Workplace

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Law firms of today are buffeted by challenges from all sides. Clients are disgruntled over increasing legal costs. Yet, firms face relentless pressure to raise per-partner profits. The annual American Lawyer rankings of large firms shine a bright light on disappointing numbers: revenue for most firms has barely improved since the downturn of 2008.

Inside firms, discontent lurks. A new generation of women is rising. These up-and-coming lawyers want more than equality with their male peers—they want a better world for both genders. They are calling for fundamental changes to the practice of law to raise overall professional satisfaction.

In this pressure cooker environment, the firms that prosper will be those that adopt pioneering transformation. They will retain the new hires they work so hard to recruit and maximize productivity. By acting now to meet the changing needs of their clients and the younger, more diverse, generations within their midst, they will build a better profession for all.

Now more than ever, clients are in the driver's seat. Aside from the highest-paid specialties and a few hallowed Wall Street shops, the days when clients blithely accepted annual raises in attorney billing rates are over. Instead, they demand higher value and fee proposals that will fit within carefully controlled annual budgets. Many have ramped up in-house legal staff who count among their responsibilities the careful management of outside legal costs.

Today's clients look at the billable hour with increasing ire. Time-billing systems value quantity of hours spent over the true worth of the services provided, as in Noel Bagwell's, "We Hate the Billable Hour and You Should, Too," Executive Legal Professionals, PLLC, May 12, 2015. They incentivize file churning and penalize efficiency. Moreover, they can blow up a company's legal expense forecast.

When considering a firm, clients want to know their problems (and the billing relationship) will be tackled with creativity. They want their counsel to have true expertise in their client's business, be responsive, proactive and inspired, as in Aebra Coe's article titled, "8 Firms Boast the Most Client Savvy Attorneys," Law360, Feb. 7, 2016. They expect investments by firms in nonbillable training and development, practice collaboration, one-on-one client meetings and frequent "hand on the pulse" industry updates.

To modern clients, one-race, one-age, one-gender attorney marketing and work teams are a turn-off. They have heard the research showing groups with members of differing opinions and experiences are more inventive and resourceful, as in "How Diversity Can Drive Innovation," by Sylvia Ann Hewlett, Melinda Marshall and Laura Sherbin, Harvard Business Review, December 2013. Larger, more sophisticated, clients

have bought into diversity in the profession, and truly believe in its social and fiscal merits; law firms seem to be the laggards.

Meanwhile, law firms face an existential crisis. Devastating mental disorders, addiction and suicide are surprisingly common among lawyers at law firms (see "Why are Lawyers Killing Themselves?" by Rosa Flores and Rose Marie Arce, CNN, Jan. 20, 2014). Attrition among women, minorities and young attorneys cuts into the bottom line when those investments, and the know-how they represent, walk out the door. Even high revenue generating partners threaten success in profound ways, as they increasingly act like free agents, hopping from firm to firm with ever higher salary demands.

Many point the finger at the crushing weight of a work culture that prizes billing hours above all else. In addition to placing emphasis where clients want it least, billable hours are an unreliable metric. Far from a meritocracy, they are influenced by biases of all kinds. They are readily manipulated by the doling out of assignments to favorites, hidden hourly fee discounts and pre- and post-billing write-offs not reflected in annual totals.

Although women may have first raised awareness of the shortcomings of a bill-bill-bill ethos, their male peers now share these concerns. Where female attorneys originally may have sought to free up hours in their days for care-taking, studies show that the younger generations of attorneys, regardless of gender and whether they are parents or not, seek greater work-life balance. They want to limit excessive face time and leverage mobile technology in determining when, where and how they work. They seek life enrichment outside the office, leading charities, coaching baseball and running PTAs.

Firms ignore at their peril how these activities positively impact work quality. Well-rounded attorneys tend not to flame out early in their career. They arrive at the office with greater focus and express creativity more readily, better able to meet the needs of the modern customer base.

Adding to the predicament, outdated partner compensation systems perpetuate many ills. Most are opaque at best, weight billable hour contributions heavily and assign client matter origination to one or another attorney in a "winner take all" approach. They do not reward nonbillable hours devoted to responding to evolving client requirements. No credit is awarded for building expertise and client service skills, strengthening teams and cultivating the types of multi-level client relationships that survive the departure of an individual attorney. In short, they serve as a wedge preventing the institutionalization of clients.

Female attorneys historically noted that compensation regimes did not take into account their - collaborative contribution; men increasingly agree. It has been known for some time that a lack of transparency opens the door to bias, (see "Solving the Law Firm Gender Gap Problem" by Lauren Stiller Rikleen, Aug. 20, 2013, Harvard Business Review). There is now awareness that these prejudices can impact anyone who is labeled "different." Moreover, "winner take all" matter origination systems are counterproductive because they reward the lone wolf who poses the greatest risk to security.

Last but not least, as baby boomers age, firms face a growing risk that the business they handle will dry up. When the work does not successfully transition to younger attorneys within the firm, clients and revenues evaporate. Women and minorities raised concerns about being excluded as senior partners

anoint successors but younger attorneys as a whole seek wider opportunities. They offer energy and new ideas. Meanwhile, left to their own devices, retiring attorneys can make transition decisions that do not serve the best interests of the firm. They may make no decision, letting their practice die on the vine. They may gravitate toward mediocre successors, choosing to work closely with younger people who look like them, attend the same clubs or root for the same teams, instead of selecting based on more valid business interests.

In response, the savviest law firms will embrace fundamental change. First, they will increase the ranks of part- and flex-time lawyers, (see "15 Proven Profitability Techniques," by Joel A. Rose, American Bar Association, July/August 2012). The corporate world uses technology to get work done outside the traditional four square walls of an office, and is more adapted to counsel who do the same. Initially the bastion of working moms, flexible work schedules now allow attorneys of both genders to achieve balance in their work and non-professional lives. But the result is more than just happier billers. Firms are learning that reduced hour schedules accrue to the bottom line. They allow cuts to overhead, while still maintaining needed expertise and preserving the ability to respond quickly to work demand as it ebbs and flows throughout a year or project timeline.

Next, they will re-examine the sanctity of the billable hour. They have a powerful incentive: untethering from the billable hour will free them to offer their clients more of the fixed fee and success-based pricing they are clamoring for. The first firms to solve the riddle of a non-hourly rate structure will receive the highest acclaim and reap the largest financial rewards. The rest will be left playing catchup.

These leading firms will also reform their compensation systems. They will begin by opening their structure to sunlight and make data available to all members, as well as any additional criteria used by their compensation committees. Then, they will adopt group-based credit allocations. Sharing will incentivize collaboration above all else. The result will be colleagues who are bound more securely together. Firms will be girded against the financial strains of partner defections. Client relationships will belong to the institution.

The same firms, too, will boldly engage their aging partners in frank discussion. They will lead by addressing their needs for pay security by compensating them for sharing expertise and client contacts. After, they will coach them through delegating increasing levels of responsibility to the most robust of those coming up the ranks. This way, they will nurture the maturation of their up-and-comers and tap into their vigor. Diversity will be protected. Moreover, the resulting effective transitions will yield financial durability.

In this new era, the law firms that prosper will be the pioneers who tackle their challenges head-on. Rather than resisting new ways of doing business called for by the women and younger attorneys in their midst, they will fully explore these options. In so doing, they will finally catch up with their clients on the road to the future.

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