THE AMERICAN LAWYER
DECEMBER 2005
ALM

Opening the Books

In an effort to retain midlevel associates, some firms are holding events at which they share detailed information about finances, compensation, and the partnership track.

Is honesty the best policy?

By Julie Triedman

last July, at its first "Partnership College" retreat, Sheppard, Mullin, Richter & Hampton shared some trade secrets with the firm's midlevel associates. Keynote speakers during the weekend event, held for more than 100 third-, fourth-, and fifth-year associates at a luxurious $365-a-night hotel in Newport Beach, California, included Guy Halgren, chairman of the firm's executive committee, who spoke about the firm's strategic business plan, and Jon Newby, chairman of the compensation committee, who clarified the compensation structure. At least a dozen other partners and top managers also took time out of their weekends to clarify partnership structure, and to explain for the record just what it takes to get there.

Their presence alone made an impression.

"I've known of firms where partners wouldn't have anything to do with associates," says Mark Myers, a Sheppard, Mullin third-year. "Some very, very senior partners spent the whole day with us."

Sheppard, Mullin joins an increasing number of firms nationally that have rolled out midlevel "academies" or "colleges" in the past few years. The programs are meant to supplement the one-on-one mentoring that firms have long relied on to convey information about firm management and the partnership track. In doing so, these firms—among them Latham & Watkins, King & Spalding, Clifford Chance, Davis Polk & Wardwell, Baker & Hostetler, Wilson Sonsini Goodrich & Rosati, and Orrick, Herrington & Sutcliffe—may be taking to heart the feedback they've received from associates. The 2005 *American Lawyer*'s Midlevel Associates Survey, for instance, found that communicating what it takes to make partner had the lowest score on average among 12 categories used to determine firm rankings. Associates aren't blind; evidence suggests the road to partnership is both longer and more likely to lead to a dead end than it did a decade ago.

The midlevel academies offer many associates their first chance to hear the inside information for which they've been hungering. At many firms, "there's this cloud of mystery over the partnership track," Sheppard, Mullin associate Myers says. "The thing that surprised me most was that they were so forthcoming with firm finances."

For firm management, the programs are part of larger strategies to keep their most valuable workhorses—associates at their peak of productivity—from walking out the door. Fourth- and fifth-years are among the most sought-after talent in an increasingly competitive legal landscape, says Peter Zeughauser, founding partner at the Newport Beach, California-based Zeughauser Group (and an *American Lawyer* contributing editor). "It's a time when a firm wants to set a hook for the associate."

Midlevel academies are popping up at a time when associate attrition is rising to new levels. In the three-year period ending in 2004, an average of one in five associates left their firms, according to data collected by the National Association for Law Placement Foundation. That's the highest rate documented by any previous NALP Foundation retention study. More than three-quarters of associates at large firms (of more than 501 attorneys) had departed within five years.

Intensive short courses like these are an efficient, explicit way for firms to say to midlevels that they recognize that associates are entering the partnership track—"you haven't made it yet, but you are serious candidates," explains Zeughauser. "If associates think, 'I have a shot at this, and I can do what they want me to do,' they're more likely to stay."

Unlike workshops aimed at junior associates, which generally focus on substantive legal issues and practical training, midlevel academies emphasize firm business matters and business development skills. Almost all include variations of the following three elements: workshops on communications and marketing skills needed to generate firm business; detailed presentations on firm business strategies, finances, and compensation; and similarly detailed forums clarifying expectations of associates approaching partnership.

In some cases, accelerated expansion has created a need for the programs. Between 2001 and early 2005, Sheppard, Mullin had pulled in almost 50 lateral partners and associates, a move that triggered some anxiety among homegrown associates. Executive committee chair Halgren says he sat down with associates at each office to discuss their concerns, and many told him that they wanted the firm to formalize the process of conveying information about partnership. The firm "had always been good at giving associates direction and at making partners out of associates," says Robert Beall, administrative partner and head of the business trial practice group. But with recent expansion, associates expressed a feeling that the firm no longer was providing them with the same level of direction.

"We wanted to do something affirmative, to make things transparent, to get people to feel that there were plenty of ways to make a contribution," Beall says.

Most of the firms interviewed about their in-house midlevel programs owe some debt to the few firms, like Latham and Davis Polk, that have been offering similar retreats for several years. Davis Polk instituted a program it calls Lawyer 501 for fifth-years in 1999, when associates were working especially hard to meet the firm's bubble-era workload. Initially, the midlevels retreat "was partly wanting to take time out to say thank you," says Warren Motley, an equity derivatives partner who supervises training in Davis Polk's corporate department. "Then we thought we really should use that time to do things we haven't done with associates." Some 40–50 participate each year in the three-day program. In addition to sessions on the partnership process, the firm brings in Davis Polk alum-turned-in-house clients to talk about developing client relationships from the other side; it also asks participants to orally critique the firm's global practice within their specialization.

Latham launched its academy for fifth-years nine years ago, also in response to associate concerns. Last March some 50 Latham partners worked on the annual event, including 20 who served as faculty. All 125 members of the fifth-year class and new laterals were flown to San Francisco and put up at a luxury hotel. Associates were especially eager to hear from members of the associates committee, which at Latham is responsible for making recommendations for partnership. Members of the committee, which includes both partners and associates, explained how they assess each associate when making partnership decisions. Other topics included a session on ethics; one on developing client relationships; a talk about career development; outside training on public speaking and presentation skills; and, not least, breakout discussion groups designed to introduce associates in far-flung offices to each other.

One key goal was to demystify the partner-making process. Latham associates were shown charts indicating who had made partner in the last few years and how much business each new partner had brought in as an associate. The point? To demonstrate that some new partners hadn't brought in much new business and that rainmaking was only one factor in the decision. "You see that business development can't be the 'make-or-break' reason for partnership," says Manfred Gabriel, a fifth-year associate in the firm's New York office.

Bruce Howard, chairman of Latham's training committee, won't detail how much the program costs. But he believes the expense is worth it. "The value is undeniable," says Howard. "We really want people to stay at the firm."

Cecilia O'Connell Miller, a fifth-year insurance litigator in Latham's San Diego office, says the business workshops filled a hole in her education and made her more confident. "I think the firm realizes that the practice of law has become more of a business," she says. "Associates need different tools than maybe they needed in years past."

Associates have new allies in compelling firm management to make their partnership message clearer. "These days, most law firms have full-time professional development coordinators," says Marci Krufka, a senior consultant at Newtown Square, Pennsylvania–based Altman Weil, Inc. Some are former lawyers; others are trained in human resources. "They are the ones pushing firms towards programs that go beyond traditional substantive legal training," Krufka says.

At Wilson Sonsini Goodrich & Rosati, Chris Boyd, the firm's director of professional development and knowledge management—and a former Wilson Sonsini associate—helped the firm start up a program similar to Latham's in 2004. The one-and-a-half-day event is part of a variety of efforts aimed to "rerecruit" midlevels, says Boyd. "The idea is simply to check in and further develop associates who are at key stages," he adds. "And certainly the fifth year is a crucial stage."

Wilson Sonsini's program was also well received. "There's always going to be a lot of 'X' factors when people are picking who's the best," says Clayton Basser-Wall, a fifth-year securities litigator at the firm's Palo Alto office. "But it cleared up a lot of lingering questions" about the partnership track.

Some firms are finding ways to lift associate morale without baring specific details about finances and partnership criteria. The Clifford Chance Lawyers' Development Center, for instance, provides two days of intensive business training for all of the firm's midlevels. The hands-on program, run throughout the year by ten senior partners, creates simulations in which associates are given a few facts and then thrown into a series of difficult client situations. "Mentor" partners are assigned to watch and evaluate each associate's performance, and then to develop a business development plan for that associate at the workshop's end.

The investment the firm makes in management training is "pretty impressive," says Jesse Eisenberg, a fifth-year M&A associate in the firm's New York office who raves about the workshop and the ten-page business skills "plan of action" written by her mentor-partner.

While a cynic might view these programs as a ploy by firms to persuade the best workers to stay on in the face of decreased chances of partnership, that's not the view of managing partners. Sheppard, Mullin's Halgren says the firm isn't making empty promises. More than half of the candidates who were both eligible and interested in partnership were elevated to entry-level, nonequity partner status in 2005, one of the biggest groups to make partner in a single year, according to Halgren.

But are such programs meeting the goal of slowing associate attrition? "I'd be disingenuous if I were to suggest that our attrition is lower because of our training academies," says John Sherrell, head of Latham's associates committee. "Yet I think we're better off for having these." While chances of partnership at Latham may not have improved, its midlevel academy serves the interests of both the associates and the firm: The firm retains some of its best talent, while associates gain skills that will help them whether or not they remain at the firm. "The less cynical associates will say, 'Yes, there's a chance I won't make partner, but at least I will have learned something valuable here,' " says Latham chairman Robert Dell.

In interviews with ten associates who participated in similar programs, all said they found them rewarding despite knowing that their partnership chances remain uncertain. "I felt that as I become more senior, I am not being left behind," says Victoria Carradero, a fifth-year labor and employment associate at Orrick's Menlo Park office, who attended the firm's two-day Midlevel Associate Development Retreat last April.

At the Orrick retreat, the firm asked a group of clients—many of them former Orrick lawyers—to talk about what they look for in outside counsel. But associate Carradero was most impressed by the involvement and openness of senior partners who lead workshops, including firm chairman Ralph Baxter and managing director John MacKerron. "Trial by fire is important," Carradero says, "but having facilitated workshops and hearing from partners about best practices is critical."

Carradero's comments were echoed by other associates. "It makes the firm feel smaller," says Justin Cooper, a fourth-year public finance associate in Orrick's San Francisco office who also attended the retreat. "It makes me feel like the management committee cares about associates."

In this case, appearances may be everything.

E-mail: jtriedman@alm.com.