

managing

Associate Recruitment & Development

With the cost structure of firms under assault like never before, every investment must be examined for the potential to improve efficiencies. Because associate recruitment and development represent such significant costs, firms stand to reap big savings by taking a more strategic approach to these activities.

The current climate has led many firms to focus more on firing than hiring. Forward-thinking firms should use this time of crisis to improve their strategies for ensuring they have the right talent on board. The Redwood Think Tank has developed a quantitative approach to associate recruitment and retention, enabling law firms to manage by fact rather than by gut.

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The Business Case

Firms today need more than an anecdotal approach to hiring—they need solid success factors that point toward smart hiring choices.

Increasingly, clients are unwilling to pay for associate training and expect firms to better align their operations with client needs. With firm budgets cut to the bone, every hiring decision becomes a crucial contribution to the organization's success or failure. And in an economic downturn, the urgency to get hiring decisions right increases even more because voluntary attrition declines.

Typically, firms have applied a funnel-approach to the hiring process, bringing in big classes of new associates, expecting that many will slip through the funnel and have to be replaced either by replenishing the top of the funnel or by bringing in laterals. The model itself is not inappropriate—firms need leverage to turn a profit. But by improving the odds of hiring successful associates rather than those who attrite early, firms can narrow the top of their funnel, which translates to real savings (as well as other beneficial by-products such as improved client satisfaction and associate morale.)

As crucial as it is in today's market to improve hiring success, it may be even more important for firms to take a strategic approach to associate development and promotion. While the hiring process always will contain some elements of randomness, firms can control the development of their talent. Hence, once firms invest in associate recruitment, those that employ a disciplined approach to development will have a competitive advantage.

Further, knowing which factors lead to associate success can help firms faced with forced attrition—i.e. layoffs—make choices that not only protect the firm's bottom line but take the political sting out of these difficult decisions.

Building A Strategic Approach

Despite the dark economic climate, there is some good news on the hiring front. It has become a buyer's market, one in which buyers can be more selective about the assets they purchase. What if firms could learn to better identify upfront the markers of successful lawyers by replacing the traditional anecdotal approach to hiring (i.e., "It seems like we've gotten good hires from that school in the past...") with a quantitative approach? New associates would be more likely to have qualities

and experiences that position them for success in the firms that hired them.

Further, once the best pool of candidates is identified and hired, what might happen if their development activities were monitored and managed on a regular basis? Understanding successful associate development approaches could help ensure firms keep their best talent.

The Redwood Think Tank has studied 10 to 20 years of hiring and development practices of multiple firms. From our research, we've identified several variables that differentiate successful lawyers from their peers. We call these "success factors."

Historically, firm management has relied primarily on factors anecdotally correlated to success—things like law school rank or GPA. Interestingly, these factors do not have a strong relationship with associate success for the firms that we've studied.

That's not to say that law school and grades don't matter. In the long run, identifying "success factors" that help firms keep their top talent reduces attrition, and thereby may help attract candidates with better credentials.

Identifying 'Success Factors'

The first step to identifying success factors is to define what it means for an associate to have a successful tenure at the firm. On one end of the spectrum, a firm might define success by those who make partner. But this is too narrow a definition because the business model of a law firm requires leverage (i.e. fewer partners than associates). The other end of the spectrum would be to define success based on a minimum return on investment (ROI), but most firms achieve a return on the hiring investment of their associates after the first year, so this definition would be too broad.

The Think Tank has chosen a middle ground—measuring success based on variables such as length of tenure at the firm, utilization, and the destination of associates once they leave the firm.

Once a firm has established how it will measure associate success, the next step is to examine the universe of successful hires for the characteristics they have in common—i.e. "success factors."

At the firms we studied, we looked at recruiting activities to see whether associates were laterals or home-grown, whether they participated in the firm's summer program at higher rates than their less successful peers, whether they had served clerkships, etc. On the development side, we looked at factors such as who the as-

associates worked for, what types of work they performed, how many hours they worked and whether they were mentored.

We found that some success factors were not consistent across the board, but rather tended to be particular to firm culture. Other factors, however, generally tended to be predictive of associate success.

⇒ Summer program participants—At most firms, associates who participated in the firm’s summer associate program were more likely to make partner, and experienced lower attrition. There are many likely explanations. Summer programs give associates a leg up in establishing relationships. And the summer program represents the very top of the funnel—there are many summer associates that slip out of the funnel at this stage. So those who come back as associates have already been vetted, and effectively have had a pilot opportunity to assess whether the firm was a good fit.

The benefits of a summer program need to be weighed against their costs. Managers at firms that are cutting back their summer programs, or cutting them out altogether, should carefully consider whether there are other approaches to provide new associates the advantages that summer program alumnae received in the past.

⇒ Clerkships—Here is an instance where our data aligned with conventional wisdom. For the few firms in our sample that tracked this information, we found that associates who held judicial clerkships prior to starting their first year stayed at their firms longer and were more likely to make partner. Given that this seems to be a success factor, firm managers may want to begin tracking with which courts their associates have served clerkships to determine whether the type of clerkship affects an associate’s success.

⇒ Laterals—It is a widely held belief that lateral rates of attrition exceed those of first-year hires directly from law school. We saw little evidence in support of this supposition. According to our research, 31 percent of associates hired directly out of law school leave by the end of year two and 60 percent of them are gone by the end of their fourth year. While first-year and second-year attrition rates are slightly higher for laterals (34 percent by the end of year two), attrition after four years for laterals was actually slightly lower (58 percent).

⇒ Utilization—Associates who were underutilized were less successful than busy associates—i.e. they leave earlier and do not make partner. While this seems logical, we were surprised by how early in an associate’s tenure (almost right away) this became an indicator of success. In fact, for the firms we studied, if an associate falls off track in terms of billable hours within his first six months, he stands virtually no chance of ever becoming a partner.

⇒ Strategic matters—Associates who worked on matters for the firm’s largest clients were more likely to succeed. This varied by practice, but generally held true.

While some of these factors were not entirely surprising, what did surprise us was how strong these indicators of success proved to be at several of the firms we studied.

Avoiding Generalizations

The approach employed by the Think Tank to identify associate success factors can be utilized by all firms. One of the key takeaways from this associate lifecycle study, however, is that success factors are not entirely consistent across firms, and therefore it is essential that firm managers analyze which factors will aid the recruiting and development practices at their firms.

For example, while we found that summer associate programs were likely to produce more successful associates in most firms, there was one firm in our study where the program appeared to have no effect on associate success. That should make a difference to the recruiting strategy at this law firm versus the other firms we studied.

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In another case, one firm saw a disproportionate level of success for graduates of a particular law school. This doesn't mean that all firms hiring from this school will have better success with its graduates. But it may play into the firm's recruitment strategy, and these statistics even may be useful in strengthening the relationship between the firm and the school.

Many other variables were evaluated as part of the Redwood Think Tank study. Most of them were useful for each firm in understanding its success factors, but were not universally applicable. Where possible, we considered whether these variables were correlated to success:

- *Practice area*
- *Office*
- *Exposure to particular partners*
- *Gender*
- *Race*
- *Age*
- *Matter size*

In the end, the development of predictive associate success factors requires self-examination by law firms. The data we analyzed for each firm we studied revealed something surprising to that firm's management.

Recruitment and development strategies do not have "one size fits all" recommendations.

Applying the Knowledge

Why do success factors matter? Because going forward, firms should incorporate knowledge of these factors into hiring and development strategy. For example, knowing that summer associates are more likely to become successful associates should inform a firm's decision as to how much to invest in its summer program.

On the development side, firms can use knowledge about success factors to set up early warning systems. If a firm's data demonstrates that corporate associates who are underutilized for their first six months have an 80 percent likelihood of leaving by the end of their second year, this becomes powerful information to use when monitoring early performance.

Most law firm managers would agree that talent management should be a critical component of strategic plans. Historically, however, management of this area has been performed in large part without the benefit of rigorous analytics. With law firm business models increasingly under assault, the time for change is now—as never before.



Kris Satkunas is the Director of the Redwood Think Tank, a division of LexisNexis. She leads dedicated research efforts in studying and formulating solutions to law firm management issues. Her commitment is an unbiased, structured approach to research that expands the ability of law firms to move forward in managing the business of law.