

# LAW OFFICE MANAGEMENT & ADMINISTRATION REPORT



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## Major Law Firms Ensure That 'Sales' Is No Longer a Dirty Word

In the mid-1990s, law firms (mostly large) dabbled with the idea of bringing in business development professionals to beef up their client rosters. Some even took the leap and hired them. Of course, during those Internet boom years, getting new business wasn't such a major challenge for law firms. When the boom went bust, the hot new trend shifted to branding, and most law firms spent their disposable dollars on advertising, marketing, and public relations consultants instead of focusing on sales.

"There was too much prosperity for lawyers to really start thinking about [hiring business development help]," says Craig Levinson, director of business

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## New Data Help Firm Leaders Benchmark Retirement Plans

Law firms in need of industry-specific data relating to retirement benefits are in luck. Two new sources of information, *The 2005 Retirement and Withdrawal Survey for Private Law Firms* from Altman Weil, Inc. (AW; Newtown Square, Penn.; 610-886-2000; www.altmanweil.com) and the *Segal Survey of Retirement Benefits at Large Law Firms* from The Segal Co. (Segal; New York City; 212-251-5000; www.segalco.com), provide helpful insights in this pivotal area.

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### LATERAL INTEGRATION

## An Insider's View Shows How to Cement the Deal

Back in 1997, the legal recruiting and consulting firm of Major Hagen & Africa broke new ground with the first ever national survey on lateral partner hiring and integration. Among the survey's surprising findings: The prospect of higher compensation was one of the least important factors in getting lawyers to switch firms.

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### 10 Ways to Improve Lateral Hiring

1. Analyze resources (i.e., cash, time, and staff).
2. Train lateral interviewers.
3. Review lateral results/attrition.
4. Study your competitors.
5. Review search agreements.
6. Manage search firm relationships.
7. Review your due diligence process.
8. Examine lateral versus entry-level balance.
9. Assess diversity in lateral hiring.
10. Establish procedures to compare search firms.

(Source: Frank Kimball of Kimball Legal Search & Consulting; Chicago)

## Ten Profit-Sapping Practices Firms Must Avoid at All Costs

A recent issue of *Profitable Law Firm Management*, published by Joel A. Rose & Associates, Inc. (log on to [www.joelarose.com](http://www.joelarose.com) for a free subscription), offered what LOMAR believes is a helpful primer for leaders interested in shoring up the areas that affect their gross receipts, both directly and indirectly. These recommendations should help you revisit and rework practices that adversely affect firm revenue, and thereby increase income. *Areas to consider:*

**1. Firm management.** *Where firms go wrong:* They fail to designate authority for overseeing firm operations to a partner or group. As most law firm administrators and managing partners (MP) will attest, partners tend to pay attention to problems only when they become crises—so that months can go by in which problems that could be solved with simple solutions grow into real difficulties.

*Best-case scenario:* Leaders are granted authority to oversee the firm's finances and operations, and communication about these areas is ongoing among firm members. Successful firms also have a sound management system for long-range planning, day-to-day administration, and the appraisal of results.

**2. Management and/or coordination of practice areas.** *Where firms go wrong:*

Implementing practice management varies greatly among firms because of partners' personalities and abilities, their perceptions of themselves, their willingness or unwillingness to be managed and/or relinquish a degree of personal and professional independence, and their approach to client relationships.

*Best-case scenario:* Your firm applies basic management principles by regularly considering the profitability of particular practices, when the firm should redirect its efforts, the reassignment of partners to different practice areas, and when the firm should decrease or increase its lawyer staff.

**3. Marketing plans.** *Where firms go wrong:* Accountability is diffused, especially in smaller firms where partners generally have primary responsibility for marketing. Yet, as law firms grow, these ad hoc marketing strategies and efforts become less effective. Lawyers can also be working at cross purposes.

*Best-case scenario:* Lawyers will work to understand that every good existing client is a potential new client for some other law firm and allocate marketing responsibilities and funds accordingly.

**4. Financial planning.** *Where firms go wrong:* The firm has a projected financial

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plan for income and expenses against which it can measure actual performance, but gives little opportunity to identify and correct economic problems.

*Best case scenarios:* Leaders have a basic financial plan that includes income and expense projections based on past experience, and the firm is prepared for unusual contingencies and able to avoid financial surprises. Partners and associates are well aware of their billable hours and collections obligations, and a partner or committee reviews financial and management data on a monthly basis to identify potential problems and undesirable trends so they can take corrective action.

**5. Business planning.** *Where firms go wrong:* They fail to set economic standards and annual billable-hours requirements for all lawyers. Partners also fail to agree on what they want the firm to be and how to achieve their objectives on firmwide, departmental, and individual bases.

*Best-case scenario:* Partners and associates prepare annual business plans that are reviewed by the firm's MP or other lawyer managers. These plans include detailed information on lawyers' anticipated fee-producing activities as well as non-billable activities that should enhance the firm (e.g., marketing, associate training, management of the firm or its substantive practice areas, and the like). Attorneys are expected to deliver status reports so lawyer management can monitor progress and gather suggestions for improvement.

**6. Compensation plans.** *Where firms go wrong:* The compensation system over-emphasizes partner billable-hour production, so that owners eventually concentrate only on that.

*Best-case scenario:* The system provides incentives that encourage partners to bal-

ance their personal billable-hour production with marketing, associate training, delegation of work, management of the firm and its practice areas, and the like. Anything short of this will be detrimental to the long-term financial success of the firm.

**7. Matter management.** *Where firms go wrong:* An imbalance in the number of contingency and non-contingency cases creates a cash-flow crunch.

*Best-case scenario:* All law firms—especially undercapitalized ones—must carefully review their case-loads to determine whether enough lawyer time is being devoted to matters that provide a steady stream of income. Take care as well to secure retainers or deposits, and to ask clients to pay directly for major out-of-pocket expenses such as expert witnesses and depositions.

**8. Fee agreements.** *Where firms go wrong:* Lawyers have no written confirmation of the nature of client representation and the arrangements for fee payment.

*Best-case scenario:* Firm policy requires all attorneys to draft a confirmation letter before accepting a new matter, especially from new clients.

**9. Billing and collections.** *Where firms go wrong:* Lawyers are notoriously slow to bill and no one urges them to get it done. Even having an efficient timekeeping system is no guarantee that attorneys will use it.

*Best-case scenario:* Frequent billing of smaller amounts produces larger overall fees. To achieve this goal, firms must:

- Designate someone (usually the MP) to

An imbalance in the number of contingency and non-contingency cases creates a cash-flow crunch.

see that timekeeping is performed systematically and accurately.

- Centralize billings and collections through an MP supported by an administrator, office manager, or bookkeeper.
- Identify clients and matters whose billings are neglected by sending the MP a monthly list of matters in which the unbilled time and costs exceed a predetermined amount.
- Establish controls for matters on which no attorney activity has been recorded for a predetermined amount of time.

#### 10. Billing rates and arrangements.

*Where firms go wrong:* They set inadequate billing rates and overlook alternatives to hourly billing.

*Best case scenario:* Leaders consider key factors when setting minimum hourly billing rates for partners and associates that will produce a reasonable income for the firm. They research hourly rates charged by law firms in the same legal market and review industry data from local, regional, and national surveys. Successful firms also rely on non-hourly billing arrangements for routine matters, like wills and closings, to make up for efficiencies created by automated systems. □

## What Makes a Great Law Firm Administrator?

Firm administrators have a range of responsibilities and skills, but the most successful ones share certain traits. Below are the characteristics most often mentioned in our conversations with law firm leaders:

- **Trustworthy.** This is key, since the firm administrator tends to have access to everything in the firm.
- **Ability to maintain confidentiality.** This is related to trustworthiness, of course.
- **Ability to take initiative.** The firm administrator must ask, "Why do we do it that way? How can we do it better?" Most administrators fulfill their roles by attending conferences and researching other firms' practices, for example.
- **Dedicated.** It's important to work hard or, as one law firm administrator put it, to "act like a partner" even though you may not actually be one. Great administrators have an interest and a desire to make the firm grow, as well as the ability to speak out when they disagree with partners.
- **Talent for organization and the ability to multitask.** These skills are necessary for success in firm administration, especially as more responsibilities are added to your plate.
- **Willingness to delegate.** Great administrators delegate work to their staff, both to challenge them and so the administrators can take on new responsibilities; it is important to know when to delegate.
- **Ability to balance leadership and management.** While managing partners act as leaders and visionaries for their firms, great administrators are more likely to assume a managerial role in making that vision become a reality. □

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## Major Law Firms

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development and marketing for New York's 275-lawyer Brown Raysman Millstein Felder & Steiner.

**Everything old is new again.** The tougher economic and competitive landscape of the present has forced most large firms to think a lot harder about how to keep their revenues up. *The result:* More firms now employ full-time business development or sales professionals to help generate new matters, and, in some cases, to go on client pitches with lawyers.

"It's back to the future," says Julie Savarino, managing director of Business Development, Inc., an Ann Arbor, Mich.-based legal sales consulting group. Indeed, in the past two to three years many law firms have brought full-time sales professionals on board, tapping an existing partner or recruiting a business-savvy lateral to direct a sales program, or reworking their existing marketing professional's efforts to focus on sales (see the sidebar, "Three Approaches to Law Firm Sales," for an assessment of the benefits and pitfalls associated with each approach).

Diane Hamlin, president of the Legal Marketing Association, claims the phenomenon isn't just a passing fad. "There's an increasing comfort level with this. It's not just tinkering at the margins." She notes that most AmLaw 100 firms and many AmLaw 200 firms have hired full-time sales support help. "It's beyond a trend. It's on the cusp of being institutionalized."

Witness, too, the creation of the Manchester, Mass.-based Legal Sales and Services Organization (LSSO) in August 2003, which, as the group touts on its Web site ([www.legalsales.org](http://www.legalsales.org)), is "the only organization exclusively focused on sales and

service issues for the legal community." Close to 100 members strong, the LSSO sponsors seminars and conferences and produces a monthly newsletter and other educational materials aimed at helping firms bolster their sales capability.

"We saw that firms had these needs," says Catherine MacDonagh, the group's director, adding that many law firms had been focusing heavily on marketing while paying little attention to sales. "Marketing opens the door, but it can't make the sale; sales [is what] gets firms through the door," she contends.

**But onsite sales expertise doesn't come cheaply.** Hamlin says salaries for business development pros can easily exceed \$100,000 and, in some cases, \$200,000 a year. And for firms that rely on a partner to lead the sales effort, there are the obvious losses associated with moving a rainmaker to a non-billable position.

While this may seem to make it more difficult for midsize firms to gain similar levels of expertise, leaders of midsize firms should not overlook the option. As an informative article from the LSSO notes, "While it would be reasonable to assume that the growth of sales in law firms has been limited to the large firms—they generally have more resources to fund and staff such ambitious efforts—that is not the case. [Law firms that are taking the lead with sales] range in size from 30 lawyers in one office to 800 lawyers in 17 offices."

**Real-world business experience is a plus.** Most firms that hire from the outside expect whoever assumes the position to offer solid experience in sales and marketing for a broad range of industries includ-

More firms now employ full-time business development or sales professionals to help generate new matters.

## LOMAR Law Office Cost Index

Each month LOMAR updates its Law Office Cost Index for major cities nationwide. This exclusive LOMAR monthly feature is aimed at helping law firm managing partners and administrators monitor relevant office cost changes within their area and compare them with other regions.

This index excludes lawyers' salaries, benefits, and profit shares. It covers all other major cost factors in the law office including: rent and other space expenses, equipment, support personnel, stationery, insurance, phone, etc. The index is derived from data from the Bureau of Labor Statistics and the American Chamber of Commerce. The base of 100 is for the national average in the first quarter of 1992. Current figures follow actuals by 90 days.

City	Current	Last Year	Two Years Ago	Change Over Last Two Years
Atlanta	117.9	114.3	114.2	3.2%
Boston	146.0	142.3	138.3	5.6
Buffalo	105.3	105.3	105.3	0.0
Chicago	135.4	131.2	128.5	5.3
Cincinnati	116.3	114.4	110.4	5.3
Cleveland	121.8	117.7	114.7	6.2
Dallas-Fort Worth	125.1	122.6	122.0	2.5
Denver	126.1	125.0	124.3	1.5
Detroit	130.1	126.6	124.9	4.2
Houston	120.0	116.4	111.5	7.7
Kansas City	119.6	116.7	115.1	3.9
Los Angeles	145.7	140.1	137.2	6.2
Miami	130.1	124.7	121.6	7.0
Milwaukee	119.2	117.2	114.2	4.3
Minneapolis-St. Paul	128.6	124.8	121.9	5.5
New York	151.9	145.8	140.6	8.0
Philadelphia	133.6	128.0	123.0	8.6
Pittsburgh	121.4	117.1	115.0	5.5
Portland, Ore.	125.8	121.9	119.9	4.9
St. Louis	120.3	115.6	112.8	6.6
San Diego	157.4	151.8	143.7	9.5
San Francisco	155.6	152.4	151.6	2.6
Seattle	134.0	129.4	128.0	4.7
Washington, D.C./ Baltimore*	122.9	118.3	116.1	5.9

\*This combined metropolitan area is calculated on a November 1996 = 100 base.

ing accounting firms, financial services providers, and consumer products companies. Levinson, for instance, boasts a law degree although he has spent most of his career in law firm marketing, just recently at New Jersey's Sills Cummis Epstein & Gross.

**What do business development pros actually do to earn their pay?** More important, are they worth it? While specific job descriptions vary among firms, business development professionals generally do everything from staffing the booths at trade shows to generating leads for new business, setting up meetings with prospective clients, gathering intelligence on competitor firms, and helping lawyers prepare sales presentations and pitches. Some even set up mock rehearsals for lawyers before an important pitch. And if the sales effort doesn't succeed, they might conduct "failure analysis" by following up with clients to find out their reasons for choosing another firm.

At Brown Raysman, Levinson says he's been spending much of his time training partners and lawyers to be savvier marketers of their services. "It's important that they learn the proper targeting skills and the sales skills. "We want our lawyers to be the salespeople. But we want their batting averages to be a whole lot better."

**At some firms, business development professionals play an even broader role.** North Carolina's Womble Carlyle Sandridge & Rice has four full-time sales professionals, including a "national sales director." This team not only identifies leads and coaches lawyers on their sales techniques, explains Pressly Millen, chair of the firm's client development committee, it also routinely accompanies the lawyers on pitches and has essentially "run" client meetings by keeping the sales presentation focused and on track. "It goes beyond training.

They're out there with the lawyers a lot."

At Minneapolis-based Dorsey & Whitney, Adam Severson, director of sales, regularly meets with clients to make sure that

Dorsey is meeting their needs. Most of the time he's with the firm's managing partner (MP) or other Dorsey lawyers. "We sit down

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### Three Approaches to Law Firm Sales

Firms wanting to set up a sales function should note that there are several models to consider. Know, too, that "the success of the model [you] choose depends on a variety of factors including the firm's culture, appetite for change, resources, and commitment and engagement of leaders." *Three models to consider:*

**1. Partner-led programs.** With this model, an existing partner steps into the role of sales professional or firms recruit a lateral partner to run the sales program.

*Pros:* Having a partner and peer lead your sales program may make it easier to gain the approval and respect of your firm's owners. Moreover, having the "sales effort run by a partner will appeal to many firms that [it is] culturally safe. The partner, who will be regarded as a peer, will have an easier time gaining acceptance and should be able to minimize cultural trauma."

*Cons:* "If the firm has not been through the experience of moving a partner from production to a non-direct revenue-producing role, and if the compensation system relies heavily upon origination credit, tensions could create serious impediments. In addition, institutionalization of the process will probably take longer as the partner will be sensitized to cultural obstacles and spend significant time gaining consensus before taking action. However, most of the issues can be avoided if the position and expectations are clearly defined, quantifiable measurements are put in place, and the firm's leadership is staunchly committed."

**2. An experienced professional from outside of the industry leads the sales effort.** This is the most widely recognized and the most controversial model.

*Pros:* The sales professional approach "carries the highest financial costs and risks, but also has potential for delivering the highest rewards. The advantage is that the firm gets the expertise of a sales person with proven ability who will be able to efficiently craft a program. If the program is well resourced and well supported, and the sales director is given adequate time to implement, then the rewards will be great."

*Cons:* Many firms have difficulties with this model because attorneys are often less accepting of any

change that requires them to rely on a non-lawyer's expertise. In addition, law firm leaders must set the stage for partner acceptance—anything short of this and the program is sure to fail. Know, too, that sales professionals who enter your law firm from another industry must have the skills needed to circumvent the "learning curve" and study the ways of lawyers.

"Professional sales people are used to an organization that provides them with a certain amount of autonomy and authority to focus on strategy, which is then implemented by a skilled sales force. Entering a law firm, the sales professional is met with an untrained sales force as well as the real possibility of a segment of the partnership being resentful of the effort. Thus, the firm runs the risk of the position failing as the sales professional becomes frustrated at [his or her] inability to produce and either leaves the firm or is asked to leave."

**3. Your current in-house marketing professional (with or without sales experience) leads the transition from a marketing culture to a sales culture.** This is the most common and popular model, for obvious reasons.

*Pros:* The firm's partners offer much less resistance and accept the sales process more readily because they're working with someone who has proven himself or herself and gained the firm's respect. "Having gained an intimate working knowledge of the people and culture, the director understands how to introduce new concepts and effect change in the most efficient and least painful manner."

*Cons:* Partners, trusting in the ability of their marketing pro, may incorrectly assume that he or she can go it alone or with minimal involvement. Sales, however, is a team effort.

**The bottom line.** "The model you choose will likely be a variation of one of the three models described above. If you examine the alternatives and measure them against your culture, you will be able to tailor the solution that is appropriate to the culture, history, and appetite of your firm."

(Source: Legal Sales and Service Organization; Manchester, Mass.; 617-726-1500).

## NEWS BRIEFS

**DO TECH-SAVVY LAW FIRMS HAVE AN EDGE WITH IN-HOUSE COUNSELS?**

Technology seems to be playing a greater role in general counsels' decisionmaking about outside law firms, according to the *2005 In House Tech Survey* conducted by *Corporate Counsel* magazine, which found that slightly more than "half of the businesses surveyed (55%) have requested outside counsel to obtain a specific technological product or capability. And a small, but noteworthy, number (8%) have fired a firm because of its lack of tech offerings."

Moreover, close to three-quarters of respondents said their law firms have set up extranets for in-house counsel. *Also consider:*

- Seventy-four percent of outside counsels have extranets for in-house lawyers.
- Thirty percent of legal department have extranets for outside counsel.
- Thirty percent of respondents have access to their outside firm's knowledge management system.

Also, 35% of the in-house lawyers polled consider e-billing capabilities when hiring decisions are made. The surveyors maintain that "lots of law firms are hearing, and acting on, a similar message: They've got to exchange information digitally, and easily, with in-house counsel."

**SIMPLE STRATEGIES TO KEEP YOUR LAW FIRM FOCUSED ON CLIENT SATISFACTION**

The less hectic summer months may provide a perfect opportunity for law firms to obtain informal client feedback. For ideas to get you started, the suggestions below come courtesy of Troy Waugh of Nashville's Waugh & Co. in his online publication, *A Marketing Moment*:

- **Solicit staff input** by questioning everyone with client contact on what can be done to improve service. Then, meet with your firm's key players to discuss internal policies that could inadvertently be making it harder for the firm to deliver excellent service, and

review how to respond to client complaints and collect additional ideas on boosting client service.

- **Conduct client focus groups.** Assemble a small group of five to 10 "firm-friendly" clients so you can ask questions or have them react to your promotional materials. You may also want to host informal discussions or use a professional facilitator and videotape the session.

- **Set up client advisory boards.** These provide your firm with a regular assessment of its progress in satisfying clients. These boards have proven quite popular as relationship enhancers that have helped professional services firms improve client service, develop new services, and encourage repeat business. Client-participants are flattered to be asked to join and can give you ongoing feedback.

- **Consider client business reviews (CBRs) for your best clients.** CBRs build client loyalty and offer a good way to uncover new services your firm can provide. They can also serve as a teaching tool for junior lawyers in how to apply the process to second-tier clients at a lower cost. These are time-consuming—they take about 14 hours of partner and manager time and about six hours of staff time—but Waugh believes they are a sound marketing investment. Schedule them for relatively quiet times: Begin with a three-hour meeting with top client officers and your relevant staff who can act as consultants to help the client achieve its goals.

**RECORD RETENTION: WHAT YOU KEEP IS JUST AS IMPORTANT AS WHAT YOU DON'T**

With employment and recordkeeping, it's easy to focus on record retention and forget about issues relating to record destruction. Yet any policy that your firm has for where, how, and how long to keep employment records must also address issues relating to the destruction of evidence as well—especially in light of claims caused by people who inadvertently discard electronic data or throw out old files. This is especially true concerning the destruction of drafts of documents such as warnings, performance evaluations, and the like.

Interestingly, experts say that an employment record can include drafts of all personnel documents, so a sound record retention policy must lay

## NEWS BRIEFS

out an organized, legitimate, and justified reason, method, and timing for the destruction of documents. Firms must also take care to establish that this is being done for the lawful and legitimate purpose of complying with your document destruction policy.

*A crucial question to consider: What constitutes a legitimate employment record? Employment records are not just those kept by individuals responsible for HR within the firm. In many instances, supervisors or managers keep their own personal and confidential records, which are not necessarily firm files. Other hidden must-keep records include electronic or hard copy notes that supervisors make on calendars, on post-it-notes, on napkins, in e-mail exchanges, and the like.*

### CROSS-SELLING IS STILL KEY TO GROWING NEW BUSINESS, SO PRESS THE ISSUE NOW

Although your firm's partners may know that most new business comes from existing clients, firm leaders confide that rallying those partners to seek out that business continues to be a challenge. *One problem: Many partners are inadvertently trying to sell what the firm has, rather than what the client needs. Other factors that can prevent success in cross-selling:*

- Firms focus their efforts on new "name" clients—yet this is the hardest sell. It is far easier to sit down with the decisionmakers of existing clients to assess their needs and cross-sell.
- Many partners feel that cross-selling is outside their comfort zone. And since client ownership is generally by book of business, not what one sells, partners avoid it.
- Some partners have difficulty pitching value-added services and nontraditional products, or dislike discussing value-added services because they don't know much about them.
- Firm compensation systems tend not to encourage cross-selling. And although this is improving at some

firms, too many still don't reward it. In these firms, partner compensation systems state no expectations—or have unclear goals—for cross-selling, and there's little accountability.

- With the ups and downs of some practice areas, firms and partners fear moving away from core services.
- Junior lawyers lack the tools to convert client issues into new business opportunities.

To succeed with cross-selling, implement a culture and strategy to promote success. *What to do:*

- Promote partner alignment on the firm's vision and mission. This feeds cross-selling success.
- Encourage a firm culture in which individual partner alignment and compensation methods back up cross-selling strategies—that is, see clients as belonging to the firm, not to individual partners.
- Develop an effective business planning process that includes ongoing education about firm services at all levels.
- Make sure that business responsibilities are clear and that all of your firm's practitioners are held accountable.
- Remind your lawyers that cross-selling is simply another form of selling, with its own process and sales cycle time, and includes external and internal marketing activities.

### COMMUNITY SERVICE FEELS GOOD AND HELPS BUILD BUSINESS, NEW DATA SHOW

Most people agree that volunteering is personally—and professionally—fulfilling. Eighty-six percent of respondents to a recent Deloitte study believe that volunteering can positively affect their careers; nearly four out of five see it as an opportunity to develop business skills including decisionmaking, problem-solving, and negotiating; 81% percent believe volunteering enhances an individual's professional reputation; and more than three-fourths agree that it offers an opportunity to develop skills that can be used in the workplace.

## Major Law Firms

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and talk about how we're doing and how we can provide better service." But if the MP can't make a given meeting, he visits with clients on his own.

**As for clients' reactions...** Severson and Millen say the feedback has been positive. "Clients have been very receptive," says Millen, who notes that most clients have their own sales force. The fact that a law firm also has sales people isn't such a big deal to them. "It's less strange to clients than it is to lawyers."

Indeed, Millen recalls that when Womble Carlyle began hiring full-time sales professionals four years ago, some partners were skeptical. But as the sales force generated leads and helped lawyers bring in new business, that skepticism pretty much disappeared. "Success is what overcomes doubt," says Millen. He declines to estimate how much extra work the sales staff has brought in, but notes that the firm is looking to add another full-time sales person—proof that its sales hires are paying off. "It's working out great," he says. "That's why we're hiring."

**A pilot program for firms that want to take it slow.** Atlanta-based Sutherland Asbill & Brennan has also been beefing up its sales team. It started three years ago with a pilot program, which involved hiring a full-time business development professional to work with its intellectual property division to develop and implement a business plan. That program was a hit. "They blew the plan out of the water," says Kim Perret, the firm's chief marketing officer. Since then, the firm has hired four other business development professionals to work with its litigation, real estate, financial services, and corporate securities groups.

Given that most business development professionals come from a sales background, Perret concedes there is a learning curve. They have to get up to speed on what services the firm offers and the different practices areas. "If you're helping to pitch SEC enforcement work, you have to know what it is," says Perret. □

## Retirement Plans

CONTINUED FROM PAGE 1

**The AW survey** is based on data collected from 202 law firms in the fall of 2004. Twenty-six percent of the firms responding had 100 or more lawyers; 37% had 20 to 99 lawyers; and 38% had less than 20 lawyers. *Key findings:*

- **Funded retirement plans are the norm.** No surprises here: 96% of responding firms have an active, IRS-approved retirement plan. These programs—in which the availability of retirement assets is assured by setting aside current income as it is earned and before personal income taxes are taken out—have become almost universal in law firms with 20 or more lawyers, and are available in 90% of smaller firms.

This is a welcome trend, says AW principal James Cotterman. "Ensuring adequate funds for retirement is going to be a critical issue as the first wave of baby-boom lawyers begins retiring in just five short years."

- **The most popular retirement plans.** Of 12 plan types identified in the survey, four emerged as most popular:

- Combined 401(k)/profit-sharing plans, 47%.
- 401(k) income reduction plans, 21%.
- Safe harbor 401(k) plans, 17%.

— Profit-sharing plans, 13%.

Large firms with 100 or more lawyers favor 401(k) income reduction plans and 401(k)/profit-sharing combinations, while smaller firms offer a variety of retirement plan options (see Table 1, “Qualified Plans

for All Employees and Partners, for All Firms and by Firm Size,” and Table 2, “Qualified Plans for Partners Only, for All Firms and by Firm Size”).

● **Unfunded retirement plans are still in place at a small percentage of re-**

**Table 1. Qualified Plans for All Employees and Partners, for All Firms and by Firm Size**

Plan Type	All Firms	By Firm Size (number of lawyers)				
		Less Than 10	10 to 19	20 to 49	50 to 99	100 or More
Defined benefit pension plan	7%	7%	8%	0%	4%	18%
Money purchase pension plan	5	10	4	0	8	3
Target benefit pension plan	1	0	0	2	0	0
Profit-sharing plan	13	12	15	9	20	13
Age-weighted profit-sharing plan	1	5	0	0	0	0
Comparability or cross-tested profit-sharing plan	3	5	0	0	8	3
401(k) income reduction plan	21	12	15	14	20	40
Combined 401(k)/profit-sharing plan	47	32	38	63	60	45
Safe harbor 401(k) plan	17	15	31	21	8	10
SIMPLE 401(k) plan	5	7	12	5	4	0
Simplified employee pension plan	2	7	0	0	0	3
SIMPLE IRA plan	4	12	8	0	0	0

(Source: Altman Weil Publications, Inc., 2005 Retirement and Withdrawal Survey)

**Table 2. Qualified Plans for Partners Only, for All Firms and by Firm Size**

Plan Type	All Firms	By Firm Size (number of lawyers)				
		Less Than 10	10 to 19	20 to 49	50 to 99	100 or More
Defined benefit pension plan	35%	25%	0%	33%	14%	42%
Money purchase pension plan	12	0	50	0	14	12
Target benefit pension plan	6	0	0	17	14	3
Profit-sharing plan	27	50	0	17	14	30
Age-weighted profit-sharing plan	4	0	0	0	14	3
Comparability or cross-tested profit-sharing plan	10	25	0	17	14	6
401(k) income reduction plan	0	0	0	0	0	0
Combined 401(k)/profit-sharing plan	38	0	50	33	43	42
Safe harbor 401(k) plan	0	0	0	0	0	0
SIMPLE 401(k) plan	0	0	0	0	0	0
Simplified employee pension plan	0	0	0	0	0	0
SIMPLE IRA plan	0	0	0	0	0	0

(Source: Altman Weil Publications, Inc., 2005 Retirement and Withdrawal Survey)

sponding firms. Moreover, 21% of the respondents also maintain non-qualified plans limited to highly compensated and key management employees. These plans neither qualify for preferential tax treatment nor are subject to the reporting and disclosure requirements of qualified plans. AW also discovered that only 35% of non-qualified plans are pre-funded, relying instead on future owners paying benefits as

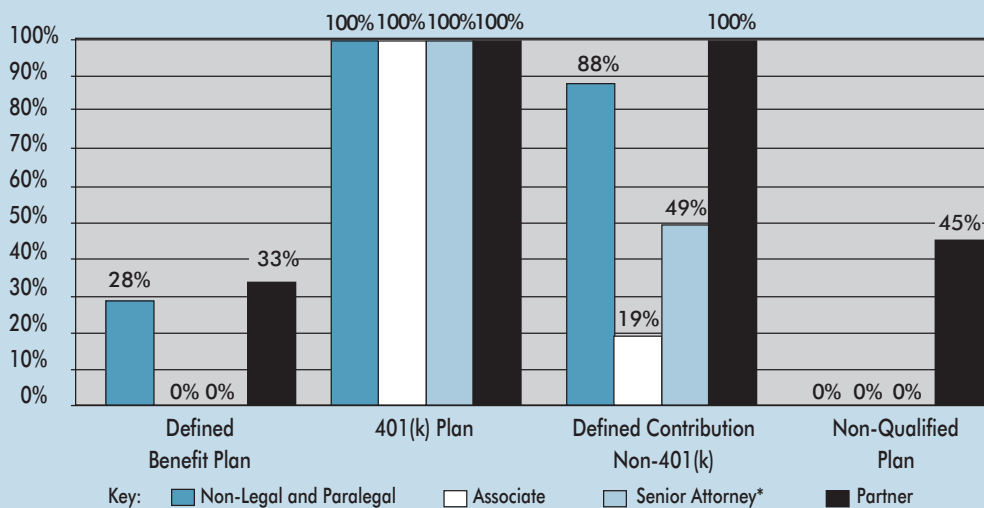
they come due.

“Unfunded obligations like these represent a fundamental risk to the legal profession in an era of partner mobility, an aging lawyer population, and a very competitive labor market,” Cotterman says, adding that “law firms are grappling with past promises and their future economic consequences. The bottom line is that unfunded plans

represent a clear competitive disadvantage in the marketplace. Firms seeking lateral hires or good merger partners will have a tough time if their fiscal house is not in order.”

- In most instances, unfunded plans are modified with payment caps, reduced benefits formulas, longer vest-

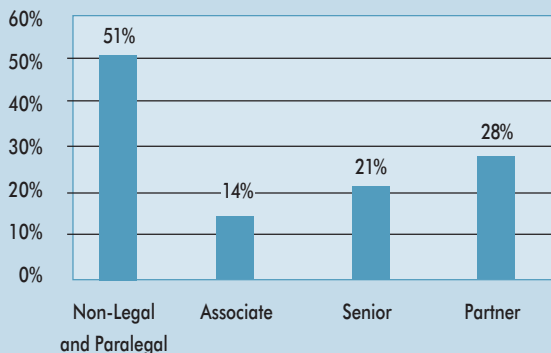
Figure 1. Retirement Programs by Employee Group



\*Includes staff attorneys, counsel, special counsel, and other salaried, “off-the-partner-track” positions.

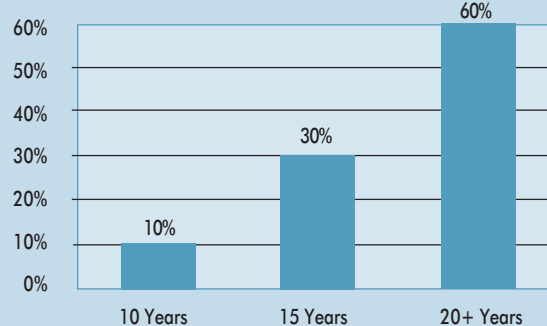
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Figure 2. Percentage of Firms Providing Employer Match for Employee 401(k) Plan Deferrals



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Figure 3. Partnership Service Requirements Necessary to Receive Full Retirement Benefits



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ing requirements, and other strategies that limit or reduce the future economic burden on law firms. Sixty percent of firms with non-qualified retirement plans cap total payments in a single year, and 85% require a minimum period of service for participation.

More than two-thirds of responding law firms have amended their deferred compensation plan since 1990, most by lowering a pre-existing payment cap, lengthening the payout term, or adding a first-time cap.

- **Mandatory retirement.** Thirty-eight percent of firms with documented policies require mandatory retirement. And as firm size increases, so does the likelihood of mandatory retirement: 57% of firms with 100 or more lawyers have such provisions, while only 13% of firms with 10 or fewer lawyers do. Industry surveys are invaluable tools for law firm professionals who need to assess compensation ranges for positions and/or locations.

**The Segal survey**—which offers data on retirement benefits for non-legal and paralegal staff, associates, senior attorneys, and partners—is based on responses from 43 law firms, 58% of which have at least 1,000 partners and employees participating in their retirement plan. *Key findings:*

- **Defined benefit (DB) plans.** Thirty-three percent of respondents offered DB plans to partners, but only 28% offered them to non-legal and paralegal staff. Among firms that provided the option to non-lawyer staff, 12 were frozen, compared to only one of the 16 firms that sponsor DB plans for partners (see Figure 1, “Retirement Programs by Employee Group”). According to the surveyors, “Of the 15 non-frozen partner plans, 80% were designed to provide the maximum defined

## LOMAR Calendar

*Seamless Service in Multi-Office Law Firms*, London, July 12. Contact: MBL Seminars, Inc., 5 Bessom St., # 249, Marblehead, MA 01945. 800-528-4816; fax: 800-630-3109; e-mail: [information@mblseminars.com](mailto:information@mblseminars.com); Web: [www.mblseminars.com](http://www.mblseminars.com)

*The Law Firm Lateral Partner & Practice Group Recruitment & Retention Summit*, Chicago, July 13-14. Contact: NorthStar Conferences, P.O. Box 2210, Jersey City, NJ 07303-2210. 866-265-1975 or 201-938-3700; fax: -866-265-1976 or 201-938-3734; e-mail: [cservices@northstarconferences.com](mailto:cservices@northstarconferences.com); Web: [www.northstarconferences.com](http://www.northstarconferences.com)

*ALA Certified Legal Manager Certification Exam*, Chicago, New York, Las Vegas, Sept. 15. Contact: Jan Marshall, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Regions 5 & 6 Conference*, Las Vegas, Sept. 16-17. Contact: Jane Mundell, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Regions 1 & 2 Conference*, Washington, D.C., Sept. 23-24. Contact: Jane Mundell, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Large Firm Administrators Retreat*, Scottsdale, Ariz., Sept. 29-Oct. 1. Contact: Lisa Mikita, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Region 3 Conference*, Minneapolis, Oct. 14-15. Contact: Jane Mundell, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Region 4 Conference*, Houston, Oct. 21-22. Contact: Lisa Mikita, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Corporate/Government Fall Forum*, Las Vegas, Nov. 2-4. Contact: Jane Mundell, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

*ALA Intellectual Property Retreat*, Las Vegas, Nov. 3-4. Contact: Jane Mundell, Association of Legal Administrators, 75 Tri-State International, Ste. 222, Lincolnshire, IL 60069-4435. 847-267-1252; fax: 847-267-1329; e-mail: [info@alanet.org](mailto:info@alanet.org); Web: [www.alanet.org](http://www.alanet.org)

benefit permitted under Internal Revenue Code Section 415(b)."

In all firms providing DB plans, 401(k) plans with employer match are the norm. About 50% that offer a 401(k) plan provide a match for employee deferrals, with 2% of compensation being the most common maximum match. Matches for lawyer and non-lawyer staff, however, vary significantly, (see Figure 2, "Percentage of Firms Providing Employer Match for Employee 401(k) Plan Deferrals").

- **Non-401(k) defined contribution (DC) plans.** Eighty-eight percent of firms offer non-401(k) DC plans to non-lawyer staff and paralegals, a marked contrast to 54% in 1993. And although respondents

noted that their non-lawyer staff have access to more than one type of DC plan, the data show that these same firms typically only provide 401(k) plans to their partners and associates.

- **Non-qualified retirement plans for partners.** Only 45% of firms provide such plans for partners; in most cases, owners must meet a tenure requirement to qualify (see Figure 3, "Partnership Service Requirements Necessary to Receive Full Retirement Benefits"). □

## Coming in future issues of LOMAR

- A Realistic Plan Helps Firms Keep Top Clients When Partners Leave
- Top 10 Ways to Cut Benefits Costs  
How to Build a Better Recruiting Budget
- Latest Data on Law Firm Finances  
Simple Steps Guaranteed to Increase Firm Revenue by at Least 10%
- Associate Compensation: What Law Firms Are Doing Now
- Is Your Firm's Web Site Still an Effective Marketing Tool?
- How to Price Legal Services to Keep Your Clients Coming Back
- Ten Easy Ways to Revamp Your Approach to In-House Training
- Solving the Distributions Dilemma: How "Smart" Firms Are Proceeding
- The Latest Technology Essentials
- From Librarians to Receptionists, Check Out This Compensation Data!
- Simple Strategies to Build Power and Influence With Your Partners

## Lateral Integration

CONTINUED FROM PAGE 1

Indeed, less than 10% of respondents viewed compensation as the most significant consideration when choosing a new firm. Far more important were a firm's financial health and the personalities and styles of its partners—especially its ability to support or expand a new lateral partner's practice. Those factors were also essential to the successful integration of new partners. According to the survey, more than 75% of respondents rated their firm's support for practice-building as one of the most critical factors in effective integration—and, therefore, job satisfaction.

*The bad news:* Well over a third of laterals surveyed reported feeling poorly integrated into their new firms, with more than 40% claiming their new firms were ineffective at cross-selling their services to clients.

**The more things change...** Obviously, these findings still contain some valuable lessons for law firms. But years later, how much have firms learned about managing new laterals? To find out, we spoke with Jonathan Lindsey, a Major Hagen managing partner and co-founder of the firm's office in New York City, for *The Complete Guide to Lateral Hiring & Integration Best*

*Practices for Law Firm Leaders.*

Lindsey claims that the survey's basic conclusions remain every bit as valid today as they were in 1997—and he says that while many firms are now better at integrating new laterals, there's still a lot more work to be done. Below is an excerpt from Lindsey's interview:

**IOMA: Why should law firms make lateral integration a top priority?**

**Lindsey:** We live in an era of free agency, and the bottom line is that if a new lateral is unsatisfied, he or she will leave the new firm. Or won't care as much about the firm and won't work as hard and live up to their full potential. Firms spend thousands of dollars on recruiting, so there's a lot of money at stake in terms of that investment, and also of management time.

**IOMA: What is the worst mistake law firms make in failing to integrate new partners?**

**Lindsey:** The biggest mistake is to treat the new hire as a pure business transaction. I remember one lawyer who joined a New York firm that, because of a lack of space, put him alone in an office on the third floor away from everyone. No one came to talk to or welcome him, and a year later he was gone. It was just stupid.

When someone leaves, a lot of firms say he or she was just a malcontent, and they don't do exit interviews to find out why. Some even try to paper over problems with unhappy partners by throwing money at them. But that doesn't work. You need to treat these individuals as human beings and true partners so they feel connected to the rest of the firm.

**IOMA: What are the best ways of helping a new lateral feel connected?**

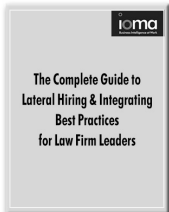
**Lindsey:** It really should start during the recruiting process by, for instance, inviting a spouse or a significant other to dinner. Or, at the very least, making sure a candidate meets all the partners in his or her practice group. And once a new lateral partner joins, there are a lot of common-sense things a firm needs to do, such as making sure they've got a good secretary and that the right support systems are in place to help ease the transition. Some firms provide a mentor to point out where the rest rooms and the copy machines are and to answer the new hire's questions, or they'll budget money so that a new lateral can travel to other offices to meet other partners.

A lot of it sounds basic, but some firms forget that in the first six weeks of any job you're swimming underwater, and new partners need to be woven into the fabric of the firm.

**IOMA: Have firms gotten better at doing those kinds of things?**

**Lindsey:** Yes. The key thing they've learned is that anything that makes the integration process more systematic and less random is more effective. Some firms have actually set up a formal process to oversee integration and scheduling so that specific tasks get done, such as sending out press releases and announcements of a new hire. We've seen that although a firm can have a checklist of integration-related tasks, it's only really effective when someone is responsible for following through on the checklist items. Otherwise it's like having three outfielders who let a fly ball fall between them. □

**While many firms are now better at integrating new laterals, there's still a lot more work to be done.**



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**New From IOMA ...**

**Complete Guide to Lateral Hiring & Integrating Best Practices for Law Firm Leaders**

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Today, many law firms willingly spend hundreds of thousands of dollars to find seasoned associates and partners with a hot specialty and book of business that want to make a lateral move.

But, there's no guarantee that a lateral hire will be a success. IOMA's proprietary research and in-depth interviews with law firm leaders suggest that there's typically one root cause when lateral hires fail to live up to expectations—poor preparation.

In this new Special Report, *Complete Guide to Lateral Hiring & Integration Best Practices for Law Firm Leaders*, you'll find out how to avoid the mistakes in preparation made by law firms with failed lateral hires.

You'll learn best practices in detailed case studies of five law firms that have established successful lateral hiring and integration procedures.

You also get discussions of key lateral hiring and integration topics, such as:

- ✓ How to minimize risk in making lateral hires
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