Managing Associate Turnover

Junior lawyers leave law firms — that's a fact of life. Within reason, that's a sign of a healthy firm open to fresh ideas and innovative thinking. But left unchecked, it can rip the heart out of your firm. Here's how law firm partners can take steps to keep associate attrition under control — and secure their own financial position in the process.

by Karen MacKay, MBA, CHRP
President

There's a tendency for some in the legal profession to view partners as the *sine qua nons* of law firms. As the most senior lawyers and practice leaders in the firm, partners do indeed contribute greatly to its success. A glance at the latest "Who's Going Where" section of the legal news underscores the importance we place on when and where partners move.

But a firm that allowed itself to believe that its partners are its most valuable assets might be making a mistake.

Law firms survive on talent, and talent includes everyone employed by the firm. A good measure of the value of these other employees might be found by examining the impact of their departure.

Highly motivated support staff who remain with a firm for long periods of time contribute daily to the service of the firm's clients and the success of its professionals. Their role is important: you need only look at the lawyer who's "between assistants" to understand the frustration and stress caused by staff turnover rates.

Highly motivated administrative managers who remain with a firm over time can accomplish a great deal — they execute, they keep the ship afloat, they maintain coherence. When these managers leave, projects are put on hold and staff is left without leadership, structure and effective management.

But highly motivated associate lawyers — the ones who stay long enough to add to both the top and bottom line — increase partner productivity and contribute significantly to the building and retention of client relationships. The select few who make partner add to the financial stability of the firm and its legacy.

When high turnover rates occur within associate ranks, marked decreases in associate productivity become evident, because both the departed associates and their colleagues left behind are distracted. Partner productivity increases by default and profits remain flat — or worse, they go into decline. Recruiting and replacement costs hurt profit margins. The financial foundation of the firm is at risk.

This article will examine the causes of associate lawyer turnover in law firms, with a particular emphasis on the role of partners. We'll examine why turnover is good in moderation, and why partners suffer most when turnover escalates. Finally, we'll look at ways in which partners can control turnover rates and help ensure their own financial security as well as the firm's.

Associate turnover: Good and Bad

Healthy turnover benefits a firm at all levels. It means that the firm is monitoring performance and acting appropriately when employees are not measuring up to the firm's standards. It also means that the firm is making business decisions, setting goals and identifying roles that will help the firm meet those goals. Healthy turnover brings new ideas to a firm and keeps employees energized.

Little or no turnover, on the other hand, allows a team to become stale, inhibiting the growth of new ideas. It also means the firm is creating roles around existing people, rather than creating a role to meet the firm's goals and sourcing the right people to meet the firm's needs.

Successful firms reach a point where turnover is almost a business advantage. A law firm with a superb associate training and development program can and should measure associate attrition. They're not ex-employees; they're "alumni," and the better they are, the better your reputation.

Take the example of General Electric, which has been known for years as an incubator of leadership talent. GE and other large corporations measure the capability of their leadership development by monitoring attrition from their management ranks and, specifically, where their people are going.

So where are your alumni going? When general counsel is sourcing talent from your firm, it may be a measure of the good job that partners are doing in developing associate talent. Equally, it may be a measure of the respect your firm has earned in the business community.

Then there's the flip side. Healthy turnover, particularly in the associate ranks, is approximately 16%. When associate turnover escalates beyond that healthy percentage, associate productivity decreases — guaranteed. When associate productivity decreases, partner productivity increases — guaranteed.

How? Partners will hoard the work, rather than delegate to an associate who might or might not be there next month. Partners who have invested in the development of an associate, only to have the individual leave, won't want to repeat the experience with yet another new associate, thus building resistance to training and mentoring. And of course, partners are forced to work harder to provide service to existing clients.

Overall, non-billable time is reduced, and that has a direct impact on current activities and future business and professional development. In one firm where associate turnover increased from 16% to 30% in one year, partner productivity increased to compensate for lower associate hours. All the partners had to work harder simply to maintain the status quo.

Working harder, spending more time at the office, means spending less time at home. Consequently, not only is net income per partner reduced, you're working more hours to do it. Have fun explaining that to your banker — or worse, to your spouse.

In a recent study of 80 U.S. law firms that had dissolved over a six-year period between 1998 and 2004, more than half claimed that an inability to recruit, and a resulting inability to provide service to the existing client base, was a significant factor in the firm's failure.

In virtually all of the dissolved firms, lateral departures (a firm's inability to retain key partners and associates) played a critical role in their demise. Associate turnover, if unchecked, can cost you your law firm.

Partners can make a difference

How can you get partners engaged in associate retention? You must help them understand, at a visceral level, that talent — defined in the broad sense discussed at the outset — really is everything.

Law firms compete for talent and clients; each is intrinsically connected to the other. When your talent is happy, challenged and rewarded, then you have something to brand to your clients. Partners must come to see that law firm talent has a direct impact on their wallets, and that associate turnover can be brutal on their financial position.

Much has been written on law firm culture. What it boils down to, however, is that values determine behaviour, and collective behaviour determines culture. You can identify your firm's culture be asking yourself three questions:

- What are we focusing on?
- What are we getting done?
- What are we rewarding?

That's culture. And in professional services firms, culture will be partly defined by the partnership compensation plan — that document determines what is rewarded, what is valued, what gets done.

So if hiring the right people, motivating them to success, rewarding achievement and retaining the firm's talent are all important in your firm — and I'm sure they are — then your partners can and should be rewarded for their contribution to motivation and retention.

Equally, practice group leaders can and should be rewarded for development, motivation and retention within their group. If the highest-paid practice group leader also has the highest turnover rate, then there's something wrong with the manner in which you're measuring success.

Essentially, if your firm claims to value professional development, but partners can't seem to find time to participate, then neither associates nor staff will be inclined to participate either. Here are ten ways in which partners can help fight unhealthy associate turnover.

1. Set clear standards of performance and behaviour, at all levels.
2. Invest in professional development, at all levels. You don’t have to guarantee you’ll keep all your people employed — you probably can’t. What you can guarantee is that you will keep them employable, by continuously building skill sets.
3. Invest in activities where administrative management (see sidebar) can network with other professionals in their discipline. This will assist in generating new ideas for the firm. This includes association memberships, local networking activities, and attendance at national conferences.
4. Respect your people and their contributions.
5. Compensate at market rates.
6. Communicate both good and bad news. Ensure that you are timely and honest.
7. If your managers are doing a good job, support them and get out of their way. If they are not performing well, help them find success elsewhere.
8. Assess your needs. Define the roles needed to meet those needs and recruit to fill them both internally and externally. Find the best person for the job. Don’t create roles for employees simply to keep them in the firm. You may be holding them back from future opportunities for success.
9. Reward achievement. Reward the value that your people bring to the firm.
10. Reward common sense.
11. Finally and perhaps most importantly to the success of your firm, understand your culture — what is valued, what gets focused upon and what gets rewarded. The better you understand your own firm culture, the better you’ll understand why your associates want to leave — and how to make them stay.

Sidebar: The role of managers in turnover control

In recent years, there has been an evolution in law firms towards professional management of legal resources by hiring non-practising lawyers and/or highly skilled human resource professionals — for example, CEOs, COOs and firm administrators. Their job is to support recruitment, management and development of the professional staff.

The more successful law firms work together with this talented management to improve motivation, accelerate associate development and improve retention. A good experience turns departing lawyers into valued alumni, rather than a complete loss to the firm.

Whenever a firm moves toward hiring these sophisticated administrative and professional talent managers, one of three scenarios will typically unfold.

One: Partners fight against giving up responsibility and authority.

Two: Partners abdicate their responsibilities to these administrative managers, in order to concentrate their time on billable activities.

Three: Partners and administrative management work together to provide solid leadership and management and achieve more effective results.

It's obvious which of these three is the most favourable outcome. The relationship between partners and managers — and the impact of that relationship on the staff — can be compared to a family. When the parents present a collaborative, combined front to their children, the kids are happy and the family tends to function successfully.

But when the managers aren't given the authority to deal with day-to-day issues — when they have no motivational or enforcement power of their own — they need to constantly turn to the partners for backup. What results is a "Wait until your father gets home" scenario: the managers, through no fault of their own, lose credibility.

When managers' decisions are second-guessed or vetoed by partners, those managers also have little incentive to increase their own level of responsibility. They eventually fail to develop the confidence and authority required to reach their full potential. Motivating? Hardly.

Even if partners believe that the manager made a bad decision, they have to support him or her. If, over time, the partnership decides the manager is incompetent — well, that issue should be dealt with appropriately. In the meantime, partners should trust their managers' judgment, support their decision-making skills, and allow them the time to prove themselves capable.

This article originally appeared in The National, a publication of the Canadian Bar Association in December 2004

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