

OCS Weekly Bulletin

October 10, 2007

Upcoming OCS Events & Career-Related Articles

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About OCS

The Office of Career Services (OCS) serves as a bridge between students, alumni and employers. The staff helps students and alumni to shape and realize their career goals. We also provide counseling, workshops and resources on judicial clerkships, international opportunities and non-law alternatives.

OCS is open Monday through Friday from 8 a.m. to 5 p.m. The office is located on the first floor in Room 143 in the Law School's office building on Nathan Abbott Way.

Upcoming OCS Events

- **Dean's Round Tables-** October 15th
- **Additional Spotlight Lunches-** October 17th and 24th
- **Supreme Court Clerkship Orientation-** October 18th
- **Judicial Externship Student Panel-** October 22nd
- **Practice Opportunities for US Attorneys in Foreign Law Offices-** October 25th

Dean's Round Tables

Please join Dean Kramer for two Dean's Round Table events on Monday, October 15th:

Carlos Watson, SLS '95 - Carlos has worked as a campaign manager for Bill Clinton, founded his own college prep service for underprivileged high school students, and has most recently been a CNBC and CNN commentator, interviewing people from Governor Schwarzenegger and Senator Obama to supermodel Heidi Klum. Currently, Carlos is in production for a new conversation show called Conversations with Carlos Watson. The program is designed to be broadcast across multiple platforms, including television, radio, internet and new media. 12:30PM, location TBA.

Ben Heineman, Senior Counsel, WilmerHale and Former GC, General Electric - From 1987-2005, Mr. Heineman was the Senior Vice President-General Counsel for General Electric. Mr. Heineman was responsible for managing a team of 1,100 in-house lawyers in over 100 countries around the world. Under his guidance, GE's legal department became world-renowned for its excellence, not only in legal service, but also for the major role that its attorneys play in business and management.

Prior to joining General Electric, Mr. Heineman was a managing partner at Sidley & Austin, focusing on Supreme Court and test case litigation. Previously, he served as Assistant Secretary for Planning and Evaluation with the US Department of Health, Education, and Welfare under President Carter. Mr. Heineman began his career as a staff attorney for the Center for Law & Social Policy in Washington, D.C., and moved on to become a litigator at Williams & Connolly. 5:30 PM, location TBA.

If you are interested in attending these lunches, please email mkrantz@law.stanford.edu by Thursday, October 11th. Attendance will be limited to 12 students.

Upcoming OCS Events (cont.)

Additional Spotlight Lunches (for 1Ls and Advanced Degree students)

- Securities Litigation - Wednesday, October 17th at 12:45 PM with Shirli Weiss of DLA Piper
- Transactional - Emerging Growth, Wednesday, October 24th at 12:45 PM with Brooks Stough, SLS '80 of Gunderson Dettmer

Please email mkrantz@law.stanford.edu if you are interested in attending these newly-added spotlight lunches.

Supreme Court Clerkship Orientation

October 18th, 12:45 PM, Room 185

If you are thinking of applying for a Supreme Court clerkship, please come to this orientation to learn about the application process.

Judicial Externship Student Panel

October 22nd, 12:45 PM, Room 280A

Come hear what former judicial externs have to say about the application and interview process, and the experience of working for a judge for the summer! This is a great opportunity for those students thinking of externing with a judge for the summer.

Practice Opportunities for US Attorneys in Foreign Law Offices

October 25th, 9:15 AM, Room 185

Lynnsey McCall, Partner with Major, Lindsey & Africa Search Consultants in London, will give a brief presentation by phone regarding the practice areas that are currently experiencing demand for U.S. trained lawyers in foreign offices, the geographic locations, most active hiring firms, salary information, and strategy for when to go overseas in an attorney's career. She would cover these areas briefly (5-10 minutes) and then allow students to ask any questions they may have.

Career-Related Articles

• Large Calif. Firms Contemplate Raising Salaries Again

Earlier this year, rumors were swirling that some New York firms would raise first-year salaries to \$200,000. But with deal activity slowing down, associates at California's largest firms may have to hold tight at \$160,000. The Recorder's annual salary survey reveals most firms have adopted a lockstep scale for base compensation, but are showing some creativity when it comes to bonus structures. "That is what the big debate has been -- what is the best bonus system?" said O'Melveny's Luann Simmons.

• Hanson Bridgett Woos Talent Without Offering Top Dollar

Career-Related Articles (cont.)

Large Calif. Firms Contemplate Raising Salaries Again

Kellie Schmitt

The Recorder/October 8, 2007

The party may be over for big-law associates.

Earlier this year, rumors were swirling that some elite New York firms were planning to raise the bar for first-year salaries to \$200,000 by year's end, but economic slowing is dampening the prospect. As law firms face a slowdown in deal activity, associates at California's largest firms may have to hold tight at the \$160,000 scale.

"It doesn't take a genius to figure out that a lot of deals in the pipeline are on the backburner or dead," said William Urquhart, a leader of Quinn Emanuel Urquhart Oliver & Hedges -- one of the first firms to adopt the higher scale in California this year. "We had an incredibly long run of a hot economy, which created a high demand for associates. I think there will be a cooling."

Other firm leaders are also predicting a salary flattening, saying the market needs several years to absorb the impact of \$35,000 in base-salary raises in less than two years.

"I'd be surprised if there was a significant deviation," said Brian Brooks, O'Melveny & Myers' recruiting partner. "I have heard some folks say the New York bonus market will be a little softer this year and growth among most firms flat."

The Recorder's annual salary survey reveals most firms have adopted a similar lockstep scale for base compensation, but are showing some creativity when it comes to bonus structures. As base compensation appears to be stabilizing, associates say they're turning their interest to firm's bonus systems.

"That is what the big debate has been -- what is the best bonus system?" said O'Melveny's Luann Simmons, a senior associate who co-chairs the firm's associate advisory committee. "The debates are going on about this, and there are completely different views from associates."

A KINDER, GENTLER BONUS

Some firms like Pillsbury Winthrop Shaw Pittman capped first-year bonuses at \$32,500, while other firms such as DLA Piper said first-year bonuses could go up to \$50,000.

The range isn't the only difference;

firms often have varied methods for calculating each associate's bonus, something that is being heavily debated right now at firms like O'Melveny.

Simmons, the co-leader of the firm's associate advisory committee, said the crux of the debate is whether it's better to have a lockstep model or a more subjective model. Currently, O'Melveny uses a hybrid that uses part objective criteria and part subjective assessments -- such as citizenship -- to calculate bonuses.

"Top performers love the West Coast model, which is more touchy-feely," she said. "But the lack of an objective element leads to a breeding ground for associates to say, 'I bet I am getting screwed.'"

While O'Melveny's leadership is open to adjusting the system, Simmons said the challenge is finding consensus among associates, mostly since it depends on how the associate views themselves.

"It's so much easier if it's a formula, but top performers say that's crap," she said. "Our partners spend hundreds of hours trying to equitably distribute the bonus pool based on touchy-feely stuff."

WHERE'S THE VALUE?

The move to a \$160,000 starting scale in their California offices elicited strong reactions from some general counsel, who spoke out loudly against raises they feared would translate into higher billing rates.

And while associates applauded their bigger paychecks, some also voiced concern that higher salaries would quickly translate into increased billable-hour pressures.

"We're starting to see a trend afoot by several law schools where students are saying, 'I don't want to work 2,500 hours and make 160 -- can we do something about it?'" recruiter Delia Swan said.

Some associates who initially feared their base raises might result in more hour requirements say those fears seem to have been quelled for now, as firms have kept hour requirements stable.

But the increased compensation still raised interesting implications, said Geoff DeBoskey, the associate who leads Shepard Mullin Richter & Hampton's associate committee.

"I think they signal to associates that the law firm needs to obtain value for the high amount associates are now receiving. The economics have to work out, and people realize that."

Associates have also discussed the effects of having law salaries so much higher than other private sector entry-level jobs. DeBoskey agreed there are young associates who view firm life as a short-term prospect, as a way to garner quick savings and get out.

For law school recruits overwhelmed by myriad firm choices, not matching the going rate is something top law firms don't want to risk.

"If you're a law firm and you're 10K less, that makes meaningful difference to recruits," DeBoskey said. "It's essential for law firms to be at whatever market is."

Still, DeBoskey said the salary increases reinvigorated discussion on what firms can do nonmonetarily to distinguish their firm.

FIGHTING THE TIDE

And for the firms that choose not to follow this year's trend, there are some advantages.

"Some firms are coming out boldly and saying, 'We're not going to do it, we're going to stay at 145, we're not going to kill associates and we're going to keep GCs happy,'" recruiter Swan said.

And that GC backlash is creating more opportunity for middle-market firms, once doomed for extinction, she said.

Manatt, Phelps & Phillips is one of the California firms surveyed that managed to stay at \$145,000 this year, despite mounting pressure from its competitor firms.

That's because Manatt Phelps felt one raise per year was enough, leader William Quicksilver said: "It doesn't seem to be an effective way to run a business, if every time you feel a firm raises you have to respond or jump."

But since the firm is committed to matching the market, Manatt Phelps decided to make a \$160,000 starting scale effective in January 2008. They haven't seen any recruitment fallout, Quicksilver said, adding, "We haven't sacrificed quality."

Despite the unenthusiastic economic

Career-Related Articles Cont'd

Large Calif. Firms Contemplate Raising Salaries Again

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outlook, there's still a glimmer of hope for associates that New York could move again in hopes of distinguishing itself from the rest of the country.

"There's been a lot of talk of whether the New York firms will jump to 200 -- they're trying to stand out from the crowd, and the crowd wants to gather around," Swan said.

But the ongoing challenge is for the crowd to figure out what their recruiting market is, said O'Melveny's Brooks. For an elite group of New York firms, the market can overlap with hedge funds, a group often much higher paid than big-firm lawyers.

In this current period of volatility, the only thing that's certain, Manatt Phelps'

Quicksilver said: Associate salaries won't be going down.

"My crystal ball isn't that clear," he said. "But, before all law firms increase to 200, they're going to have to look at attracting and retaining associates and ask: Is this really the best way to proceed?"

Hanson Bridgett Woos Talent Without Offering Top Dollar

S. TODD ROGERS / Daily Journal

SAN FRANCISCO - Earlier this decade, Oakland Athletics general manager Billy Beane devised a numbers game that helped him compete with the deep pockets of big-city teams.

Now, another midsize player, the 130-lawyer San Francisco firm Hanson Bridgett Marcus Vlahos & Rudy, says it is using its own numbers game to compete with the deep pockets of big law firms, some of which pay starting associates \$40,000 more than Hanson Bridgett does.

Beane's uncanny knack for discovering talent relied on a forensic examination of statistics. Hanson Bridgett has chosen a more straightforward approach: a 10 percent bonus for meeting an annual billables quota that most big law firms consider sub par.

Weeks before the fiscal year's end, Hanson Bridgett circulated a memo to its 50 associates and senior counsel announcing 50 hours would be lopped off the annual billings expectations, from 1,850 to 1,800 hours, without compromising partnership trajectory. For comparison, most big law associates are required to bill north of 2,000 hours a year.

Hansen Bridgett associates that satisfy the decreased expectations for FY2007 that ends Sept. 30 will be awarded an additional 10 percent of their base salary. Those that reach 1,900 hours can expect a minimum additional bonus of 10 percent more.

"We believe these changes reinforce our difference as a law firm committed to offering you rewarding careers as lawyers, while at the same time respecting your goals outside of work," the Aug. 16 memo

read.

Hanson Bridgett's leaders say they have a history of finding ways to compete for the dwindling supply of available talent from top-tier law schools. While most firms have used dollar signs to lure freshmen talent, Hanson Bridgett has chosen to emphasize values, practice intimacy, pro bono and diversity, firm leaders say.

"You can't just pay lip service to that," managing partner Andrew G. Giacomini said.

With incoming class sizes averaging about five since 2004, Giacomini said Hanson Bridgett continues to attract top talent.

"At Hanson Bridgett we want the best lawyers we can get, just like everyone else," Giacomini said. "When everyone else is going to pay more money, we say 'OK, that puts us at a competitive disadvantage in recruitment on the dollars equation.' We're not going to be there."

In 1999, Menlo Park-based Gunderson Dettmer Stough Villeneuve Franklin & Hachigian led a West Coast charge to raise first-year associate base pay to \$125,000.

Elite firms in the key legal markets quickly matched the move as pressure mounted to remain attractive to top law students lured into the lucrative technology and Internet sectors.

The dot-com bust allowed firms to keep starting salaries stagnant until 2005 when the figure in key markets jumped to \$135,000. That's when Hanson Bridgett chose a different path.

The firm's answer to \$135,000 was \$120,000, where it remains today. A range system was adopted where a given lawyer

at a given associate level could earn more than someone in their class based on performance incentives. Those willing to work more earned more; those who worked fewer hours, earned less.

It was no surprise New York-based Simpson Thacher & Bartlett's move to \$160,000 in January was immediately matched by its Manhattan rivals. Consternation, however, surrounded moves by firms that met the increase in other markets.

"Somebody's going to have to break from that pack pretty soon because New York can go to 200 tomorrow, then what are they going to do?" Giacomini said

There's no mystery surrounding the justification for salary hikes. Big firms handling big deals and high-stakes litigation need bodies.

Giacomini says that's just "internal justification."

"A general counsel says, 'I want to know the law firm is hiring the best. If you're paying less than the firm across the street, how do I have this reassurance?'" he said.

While this justification seems simple, firms are faced with limited options to subsidizing the increases. Giacomini offered three choices: Increase billables, increase rates or re-allocate firm profits.

In his words: "Does it come off the backs of your associates, your clients or you, the partner?"

Hanson Bridgett chose the latter.

"Whatever the increase is, it's coming out of our profits per partner and I told that to the partners: 'This is going to cost us more money and that means you're going

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Hanson Bridgett Woos Talent Without Offering Top Dollar

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to make less,” Giacomini said.

Garner K. Weng, a Hanson Bridgett partner and member of the firm's seven-person management committee, acknowledged there was some concern among decision-makers during the committee's examination of compensation policies.

“Since we've announced it, there hasn't been much buzz of a negative sort,” Weng said.

It's possible, however, any buzz might be yet to come. After all, Hanson Bridgett operates in a part of the nation where “it's just too expensive for money not to matter,” Weng said. “You hope you have a good year and you end ahead of your budgets. That helps you fund for things. The best is just to be doing well in your business.”

Giacomini is betting the new policy will fund itself by enticing associates to meet the 1,800 target and beyond.

James D. Cotterman, a compensation specialist at law firm management consultancy Altman Weil, shares Giacomini's optimism.

“I suspect that what you'll find is that most of these [associates] will put in the hours because they'll find the dollars attractive,” Cotterman said. “And then they're going to want to keep the dollars because they're accustomed to them. They need more dollars than time, particularly in the first, second and third year.”

What's more, Cotterman said, the policy could benefit young associates in the long run.

“I think you end up with a better lawyer if they're main focus isn't sitting down grinding out billable hours in those first couple years,” said Cotterman, a certified public accountant. In lieu of tallying hours, young associates could make a more beneficial transition from top law student to top lawyer through more development training, he said.

Yolanda C. Manzone, a real estate and land use associate at the tail end of her first year at Hanson Bridgett, said she turned down several offers at firms offering \$40,000 more. The trade-off, she said, is the client contact and practical experience Hanson Bridgett has offered her since day one.

“For me I thrive off of knowing that

there is a client on the other end and I'm working toward fulfilling their goals,”

Manzone said. “That kind of client contact is very rewarding and motivating. At the larger firm, sure you might be doing doc review and billing 2,200 hours a year but you may never actually see the face of the client you're working for.”

It's a reality that Andrew Canter, a third-year student at Stanford Law School, and fellow students from top law schools around the nation addressed in an April letter sent to the 100 most profitable firms.

The student group Law Students Building a Better Legal Profession told firms that increasing billable hour expectations, decreasing professionalism, “and a more dominant focus on the bottom line” were a hindrance to the profession.

A compendium attached to the letter, titled “Principles for a New Legal Profession,” asked the firms to commit to, among other things, devoting more attention to work-life balance.

Canter said Hanson Bridgett's new policy is attractive.

“In such a competitive market it seems natural that law firms will have to compete on metrics other than salary,” Canter said. “Top law students are going to be interested to see how law firms respond in more ways than compensation.”

Small and midsize firms are indeed starting to examine alternatives to shelling out more dollars, said Cotterman. Some are discussing the feasibility of using more paralegals and contract attorneys while others are contemplating a reduction in first-year class sizes and instead tapping the lateral market for experienced associates from earlier classes.

“One of the nice things that I think is attractive about what [Hanson Bridgett] is trying to do is there's a minimal ripple effect,” Cotterman said. “There isn't that sense of, ‘Not only do we have to give an increase to our second-, third-, fourth-, fifth-, sixth- and seventh-year associates just because they're more experienced, but now I have to make this market premium adjustment.’ That they don't have to do.”

The question, Cotterman said, is where the \$120,000 base salary places Hanson Bridgett in the race for top candidates?

No one is arguing the money and pres-

tige of big law aren't an issue - least of all Hanson Bridgett.

“There's plenty of things about working for big firms that we can't offer,” Giacomini conceded. “Compensation is one of them. Global transactions. Amazing lawyers. Those types of thing can be very exciting. But when it comes to having a fulfilling career and a fulfilling life - that's where we compete.”

Another competitive edge concerns consolidation, Giacomini said. As firms continue to merge, more jobs become available at large firms while the smaller firm opportunities become scarce.

“They become like getting a table at The French Laundry or Gary Danko,” Giacomini said. “Not so easy to get a job like a job at Hanson Bridgett.”

Potential recruits routinely ask why they should join Hanson Bridgett when they could fetch \$40,000 more at neighboring big firms.

According to statistics tracked by the American Bar Association's section on legal education, the average amount students borrow to attend public and private law schools has increased 19 percent since 2001.

Along with working in the top legal markets come high costs of living. Couple that with the cost of living that accompanies working in the nation's top legal markets and starting salary becomes a valid concern.

Giacomini has a simple answer for the money-related inquiry: “If you need the money, you should go to work at a big firm.”

But, as big law firms have begun to realize, money has been relegated from its perch as top concern for some.

“There are lifestyle issues and big firms are trying to come to grips with the fact that the paradigm is changing,” said Rand S. April, managing partner of Skadden, Arps, Slate, Meagher & Flom's Los Angeles office. “The person graduating law school today doesn't necessarily have the same goals and same aspirations as people who graduated years ago. But to me, quite honestly, it boils down to just how well you treat these people, how you respect them, how you nurture them, and how you train them.”

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Hanson Bridgett Woos Talent Without Offering Top Dollar

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According to April, full-time Skadden associates, who earn \$160,000 as first-years, have no minimum billing requirements but are expected to shoulder their fair share, which can reach as much as 2,000 hours a year, depending on the office's workload.

The industry will always have that contingent of associates for whom compensation is the top consideration, April said, but for an increasing percentage that's not the case.

"There are a lot of people at Skadden, and I'm sure at other firms, who just love their careers and think it's great because they're working on high-profile matters, meeting interesting people and being

treated well," April said. "And there are other people who just don't like it, particularly if they feel that they are not being treated well."

That reality is one of the reasons the industry is experiencing so much turnover, said Cotterman.

"People go to New York or Los Angeles and they take these big \$160,000 a year jobs, get the bonuses that get them up to a couple hundred thousand [dollars] and they think, 'If I'm smart, in five years I can get my balance sheet in order and then I don't need this rat race,'" he said. "They see this as a way to do it, plus they get a prestigious name on their resume."

Hanson Bridgett knows that if the firm

stays true to what it offers, it can attract those types as well. But in the meantime it's interested in monitoring this policy and fine-tuning it with time if necessary

Said Weng: "We think this is the best way to do right by our people, acknowledging that there's a marketplace where they can go out and make more money; do right by our firm and our clients by trying to make sure we hold on to the best people and attract the best people; and not do something we think would damage our business, like going up to 160."

Past Articles

To access the Bulletin Archive, click on the following link:

<http://www.law.stanford.edu/experience/careers/ocs/students/bulletin>

Monday, October 1

"Partnership Alternatives Gaining Acceptance at Top London Firms"

"Fewer Women Are Seeking Law Degrees"

"A Picture Worth 1,000 Words"

Wednesday, September 19

"What's GC's Biggest Beef With Outside Counsel?"

"How Associates Become Rainmakers"

Thursday, September 6

"Recruiters List the Resume Essentials for GC Wannabes"

"Don't Call it 'Sports Law'"

"First-Years Need a Road Map to Career Success"

"It's Time to Make the Garden Grow"