

OCS Weekly Bulletin

March 4, 2008

Upcoming OCS Programs, Firm 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 Programs

OCS Professional Development Series: Deposition Preparation & Training

***NOTE*--** This program has been moved to **Thursday, March 13 at 5:30pm in Room 180**

This 2 hour seminar on depo practice covers pointers on preparing, taking, and defending depositions. There will be some minimal student preparation before hand (reading the handbook). The second half of the program will be the actual conduction of a deposition, with participants taking turns playing the various roles with the attorneys providing group and individualized feedback. Dinner (pizza!) will be served. This is a great opportunity for some hands on practical experience! Space is limited, so please RSVP through Symplicity under the "Events" heading (<https://law-stanford-csm.symplicity.com/students>).

Clerkship Orientation Meeting: Nuts and Bolts of the Application Process (for 2Ls & 3Ls only)

Wednesday, March 5 at 12:45pm in Room 180

Please attend the orientation if you are interested in applying this summer for a clerkship beginning Fall 2009 and later.

Work/Life Balance Panel Discussion

Monday, March 10 at 12:30pm in Room 290

Come discuss work-life balance issues as they relate to practicing in the private sector. Our discussion leaders will share their insights on how they maintain a balance between their personal and professional lives, and what firms are doing to promote work-life balance for all their attorneys. Co-sponsored by OCS & WSL, this program will be held on March 10, from 12:30 - 2:00 pm, in room 290. Space is limited, so please RSVP through *Symplicity*. Lunch will be served.

Upcoming Firm Events



2300 lawyers in 30 offices worldwide.

Stanford Law School

Jones Day invites you to a cocktail reception

Thursday, March 6, 2008

5:00–7:00 p.m.

Cooley Courtyard
Stanford Law School

Casual Attire

Drop by for all or part of the event!

Questions? Contact Christie Meyer at 415.875.5778 or
clmeyer@jonesday.com

To learn more about the Firm, please visit us at

www.jonesday.com

Career-Related Articles

• Associate Salary Spikes Pinch Partner Profits.....Page 3-4

As California law firms continue to post their 2007 financial results, their leaders say back-to-back associate salary increases bit into partner profits. “The fact is that we only passed on much less than half of the associate salary increases onto the clients, and the partners have absorbed more,” says Sheppard Mullin Chairman Guy Halgren. “The partners made less money.” Other firms took different approaches to sucking up the added hits, such as adopting a merit-based salary schedule.

• Big-Firm Associates: Why They Go and How to Keep Them.....Pages 4-6

Even as associate salaries and bonuses soar ever higher, larger law firms in the U.S. are reported to lose at least 30 percent of associates after about three years. Big-firm associates may be a lost generation, say Ben W. Heineman Jr. and David B. Wilkins: a cohort of junior lawyers whose initial professional experience is extremely unsatisfying, who are turned off by the traditional rite of passage in a large firm, and who are not developing as legal professionals in the broadest sense of that phrase.

• McDermott Will & Emery to Open Houston Outpost.....Pages 6-7

On March 3, Chicago-based McDermott Will & Emery will open a Houston office staffed by three energy lawyers from Houston firm Bracewell & Giuliani, making it the 15th office for the 1,170-lawyer firm. Washington, D.C., partner Paul Pantano, head of McDermott’s energy practice, says he has had an interest in a Houston office for several years because Houston is the center of the nation’s energy business. In addition, Pantano says McDermott sees an opportunity to build its M&A and IP practices in Houston.

Associate Salary Spikes Pinch Partner Profits

Kellie Schmitt
The Recorder
February 27, 2008

As California law firms continue to post their 2007 financial results, their leaders say back-to-back associate salary increases bit into partner profits.

“The fact is that we only passed on much less than half of the associate salary increases onto the clients, and the partners have absorbed more,” said Guy Halgren, the chairman of Sheppard, Mullin, Richter & Hampton. “The partners made less money.”

While most California firms, including Sheppard Mullin, still reported steady increases in profitability, leaders acknowledged that returns could have been higher without the double hit of salary increases. There’s only so much you can pass on to the client and associates, leaders said, and that means partners had to absorb more in 2007.

“We’re seeing increases in our costs -- there’s no doubt about that,” said Mark Helm, the co-managing partner of Munger, Tolles & Olson. “I suppose it did take away from what we’d have otherwise seen.”

In early 2007, many big firms raised starting pay to \$145,000 in California after the scale went to \$160,000 in New York. Months later, as California competitors began paying New York wages in the Golden State, leading firms followed suit with a second round of raises.

For law firms, real estate and associate compensation are the two biggest costs, equaling roughly 80 percent of total expenses, said Arthur Culvahouse Jr., O’Melveny & Myers’ chairman.

Career-Related Articles (cont.)

Associate Salary Spikes Pinch Partner Profits

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“When you have substantial increases in one of the big expense drivers, it has to affect profits,” he said.

“It has an impact, without question,” said Kenneth Doran, Gibson, Dunn & Crutcher’s managing partner. “It’s a direct deduction.”

When net income shrinks, PPP shrinks, he said, especially when first-years are getting an extra \$25,000 raise that ripples up the associate scale.

“Many were surprised by two increases in a single year,” he said.

The pinch was probably felt more by the equity partners, since those in the non-equity ranks often cut a deal in advance, much like salaried employees, said Alan Miles, an L.A.-based recruiter with Alan Miles and Associates.

“They take the money to pay these raises out of the profits the firm generates,” Miles said. “Therefore, lawyers relying on those profits for their main cash flow are affected. It’s now being diverted.”

But some firms had plenty of revenue to cushion those withdrawals.

While Latham & Watkins’ Scott Haber, the managing partner of the San Francisco office, acknowledged there were additional expenses because of the salaries, it didn’t dent Latham’s sky-high profits.

“The numbers speak for themselves,” he said. “But I would agree that this year had a bigger effect.”

SALARY STRATEGIES

Firms took varied approaches to sucking up the added hits.

Manatt, Phelps & Phillips adopted a two-pronged strategy, only raising the salaries once in a year. The second increase -- to \$160,000 -- was announced in 2007, but not implemented until this year.

That’s because the firm is of the belief that one raise a year is sufficient, said William Quicksilver, Manatt’s managing partner.

“It worked out fine -- we were able to continue to recruit and retain folks,” he said.

San Diego-based Luce, Forward, Hamilton & Scripps used the news of more increases as impetus for adopting a merit-based salary schedule -- removing itself from the follow-the-leader lockstep approach.

But other firms simply accepted the double whammy.

“We can’t control associate compensation or real estate,” said Gibson Dunn’s Doran. “It’s a cost of doing business, and we’re committed to positioning ourselves

in a certain part of the market.”

Halgren said the partners at Sheppard Mullin realize that, too, and take the hit to their paychecks to ensure that the firm gets top talent.

AN UNCERTAIN FUTURE

One thing is certain -- leaders are optimistic that runaway associate compensation will stabilize.

Historically, salaries don’t go up at a steady rate, Munger Tolles’ Helm pointed out. They jump, they flatten and they jump.

“One hopes it will even out,” he said.

And the current climate might encourage that, Doran said.

To the extent that firms are less busy, the supply-and-demand curve may shift a bit, alleviating the upward pressures on salaries, he said.

But, when it comes to associate pay, it’s anyone’s guess.

“Who knows?” said O’Melveny’s Culvahouse. “There may be a firm out there having a great year that decides to give itself a recruiting edge. And then we could be off and running again.”

Big-Firm Associates: Why They Go and How to Keep Them

Ben W. Heineman Jr. and David B. Wilkins

Corporate Counsel

February 29, 2008

At the 250 largest law firms, the arrows are pointing up for many associate indicators. Summer internships are up. Incoming associate classes are up. Recruiting costs for both summer and first-year associates, in dollars and in partner time, are up. Salaries are up (\$160,000!). Bonuses are up (\$50,000!). Concierge services are up. Stress management services are up. Twenty-five percent of the 40,000 graduating law students today go to these 250 firms, by some estimates.

But for all this effort, one critical indicator is down. The larger law firms are reported to be losing 30, 40, 50 percent of associates after three to four years -- with

half to two-thirds of the defections due to associate, not firm, choice. Where do they go? Smaller firms, more competitive firms in the same city, firms in other cities, in-house, government, teaching, nonlegal jobs. The “After the JD” study of 4,000 graduates in the class of 2000 -- conducted jointly by the American Bar Foundation, Harvard Law School’s Program on the Legal Profession and others -- indicates such churn.

The more important question is: Why do they go? Some associates just wanted to pay off law school debts and had no intention of staying. Others are balancing two careers and need to follow a spouse.

Some are lured away by higher-paying jobs in banking, private equity or hedge funds. Or they don’t want the Faustian bargain of higher pay for more billable hours and a job that skews the work-life balance too far toward work. Finally, some do not want to stay for the likely “no” four or five years hence at the entrance to equity partner Valhalla -- or don’t view it as Valhalla at all.

But on the basis of many discussions with students, associates, partners and inside counsel, we believe that for a significant number, their first professional experience after at least seven years of higher education is too unprofessional and

Career-Related Articles (cont.)

Big-Firm Associates: Why They Go and How to Keep Them

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demoralizing. That disappointment is a major reason for leaving their firm. Here are some of the problems:

- Early in their careers, far too many associates are given a steady diet of drudge work: reviewing documents; reading e-mails; organizing schedules for transactions; researching small, tangential issues.
- Associates work on large teams and are not given individual responsibility of any consequence.
- Partners may not take time to communicate the overall issues and strategy in a large matter, but just send younger associates off to till a small part of the North 40. Too often the junior associates have to work for senior associates whose goal in life is their own advancement, not the well-being of their younger colleagues.
- Partners, who have huge workloads and unceasing pressures to produce, do not spend much time worrying about the professional development of young lawyers nor provide adequate mentoring, education and training.
- Firms may not communicate candidly about their finances, their business strategy and the partnership prospects for young lawyers, who are not treated as young professionals but viewed as generators of “rates x hours” for annual revenue models.
- Corporate clients are unwilling to take risks on young associates and unwilling to pay their rates, so associates may not have interesting opportunities such as doing important work, meeting with business-people, or traveling to depositions, hearings or arguments.

Big-firm associates, then, may be a lost generation: a cohort of junior lawyers whose initial professional experience is extremely unsatisfying, who are turned off by the traditional rite of passage in a large firm, and who are not developing as legal professionals in the broadest sense of that phrase.

Is this true for everyone, everywhere? Of course not. But is this a trend -- a

significant difference from the practices of 20 or 30 years ago? The answer seems to be yes.

One cause of this trend, of course, is the inexorable transformation of larger law firms from collegial professional associations to huge business enterprises. Successful partners have to juggle many demands: handling big matters, wooing clients, cross-selling the firm, marketing their efforts through speeches and articles and international travel. With the free agency system that has evolved at the big firms, those partners who are focused on earning top dollar want to boost their billings to increase their compensation. To keep high performers, firms are driven to a preoccupation with profits per partner and leverage. (There is also the catch-22 of firms not investing in young people who they don't think will stay anyway.)

With multicity “partnerships,” a sense of firm identity and community is difficult to develop and associates must depend on a strong identification with, and personal relationships within, a particular practice group. But this specialization may also narrow the vision and experience of young lawyers. Moreover, technology distances partners from young lawyers, due to the ubiquity of electronic communication, yet at the same time allows them to be in associates' faces 24/7.

Corporate clients also contribute to the problem. With internal pressures to stay on budget, they seek to minimize the billings by, and experiences of, young associates who, whatever their potential, have not yet demonstrated practical skills. This is especially so as associate salaries -- and hourly rates to recover those costs -- escalate to absurd heights, at least in Am Law 200 firms in big cities.

Senior corporate counsel are also so preoccupied with integrity education and training for the business executives, and business training for the young lawyers inside the company, that they have little sense of obligation to the professional development of young lawyers in their outside firms. (Heineman pleads guilty to that charge -- back when he was general counsel at General Electric Co.) Ironically, corporations are so busy that they do not hire entry-level lawyers or provide early career legal training for the ones that they

use from firms -- they rely on firms to do that. But then companies hire away the senior associates or junior partners and bring them in-house. (Heineman pleaded guilty to that charge, too.)

What can be done? Given sharp budget constraints, corporations are not going to pay fully loaded rates (salary, bonus, other costs, partner margin) to train green associates earning outside salaries. (They may look to more experienced contract lawyers in the United States or India to perform basic tasks for less.) But because they do need top-flight senior associates, because they want the firms to train young lawyers, and because they have an obligation to the profession, corporations can work with firms to pay reduced rates for junior lawyers. They can do this if, as discussed below, firms have a coherent program of professional development that gives young lawyers increasingly significant work on a systematic basis. The general counsel and senior partners can revise the running rules to open up lawyer-to-lawyer meetings or legal proceedings so that young associates can observe the process (even though the firm will still have to foot the bill as a training cost).

Corporations can also encourage firms to second third- or fourth-year associates to them for a year (and pay the costs, but not the profit margin). This can provide a tremendous learning experience for the young lawyer, help the corporation and provide ultimate benefit to the law firm, whether the young lawyer stays or returns to the company. (This has worked especially well for GE in Asia, where legal head count grew more slowly than the businesses.) Companies can help young associates understand the client and the context by working with firms to develop brief materials that explain both the fundamentals and strategy of the corporation and the outlines of a particular matter and its strategic importance.

To give young lawyers real practice experience, firms can also expand their pro bono work to a broad range of clients (nonprofits need tax or housing or “corporate” advice) and have a strong pro bono director who ensures that very young lawyers spend 20 percent to 30 percent of their time actually practicing, but with supervision. (This would be a natural

Career-Related Articles (cont.)

Big-Firm Associates: Why They Go and How to Keep Them

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extension of expanded law school clinical programs, which many graduates participated in.)

Firms can also second young associates to public sector agencies (e.g., the county prosecutor's office), where they can be paid by the firm but get far more hands-on experience than they would as twenty-first person on a multidistrict litigation team. They can promise students that they will have a law firm job after two or three years in the public interest world and not be penalized for starting with the firm "late" (indeed, such lawyers may be ahead of their peers in certain practical respects because of that experience).

Perhaps most importantly, firms could spend as much time on professional development as on marketing. This could involve creation of a competency model for different types of lawyers. Firms could also use training materials, planned experiences, measurable milestones and scheduled feedback sessions, including structured "space" for associates to talk candidly about careers -- inside the firm and outside -- without harming their future advancement. Firms might want to create a category of "training" hours that are separate from "recordable-billable" hours, so that partners are not penalized when recordable hours are not billed (or billed hours are not recovered because clients question the time that young associates are forced to record).

Ultimately, partners have to carve

time out of their schedules to provide real communication, mentoring and professional development. Firm management and senior partners can appeal to partners' better nature to do a better job -- for the sake of the profession (but also for retention to the associate sweet spot of four to seven years with the firm). Measuring this dimension of practice (360-degree evaluations of partners or practice groups) and targeted compensation components (based on evaluations or on associates retained/lost) may be necessary, however, if firms are serious -- and are to be seen as serious by young lawyers. Some firms and some corporate clients are addressing this critical issue -- but far too few.

To be sure, associates, too, must take control of their destiny: do due diligence on partners; try to join hot but supportive practice groups; negotiate for a certain percentage of hands-on pro bono work in the early years; and use initiative to find education, training and experience. And law schools must do a better job of teaching about professional trends and providing realistic and sophisticated early career guidance. (Wilkins pleads guilty to this failing.)

But the primary responsibility for professional development rests ultimately with big firms, which need explicit cooperation from their corporate clients. They must address the paradox of ever-higher associate compensation and ever-shorter tenure. The answer is not late-night din-

ners from The Palm on silver servers. It is a stimulating, mind-expanding experience at the beginning of their professional careers that treats associates as adults, gives them responsibility and, most of all, communicates the intellectual and practical excitement of confronting the significant issues that the best partners enjoy. This challenging culture of professional service, more than pure dollars, can help firms become employers of choice.

In the end, the answer is coherent, systematic, up-front law firm investment in young lawyer development programs within the firm, not fancier recruiting restaurants, to develop skilled, energized lawyers who can, and will, provide longer-term value to the firm -- and to the profession.

Ben W. Heineman Jr., former GE senior vice president-general counsel, is currently distinguished senior fellow at Harvard Law School's Program on the Legal Profession and senior fellow at the Belfer Center for Science and International Affairs at Harvard's John F. Kennedy School of Government. He is also senior counsel to Wilmer Cutler Pickering Hale and Dorr. He writes occasional commentary for Corporate Counsel on developments in the law and the legal profession. David B. Wilkins is Kirkland & Ellis Professor of Law and director of the Program on the Legal Profession and Center on Lawyers and the Professional Services Industry at Harvard Law School.

McDermott Will & Emery to Open Houston Outpost

Brenda Sapino Jeffreys
Texas Lawyer
February 29, 2008

McDermott Will & Emery will open an office in Houston on March 3 staffed by three energy lawyers from Houston firm Bracewell & Giuliani.

Robert Stephens, David W. Locascio and Jose Luis Vittor will open the office for McDermott, a 1,170-lawyer firm founded in Chicago that will have 15 offices with the new Houston outpost.

"It's a new challenge, a great growth opportunity," says Stephens. "McDermott is a world-class firm, with some great people. They've got a strong expertise in

the energy sector."

Washington, D.C., partner Paul Pantano, head of McDermott's energy practice, says he has had an interest in a Houston office for several years because Houston is the center of the nation's energy business, and some McDermott clients have asked the firm to have lawyers on the ground in Houston. He says the firm has a strong energy trading practice, representing a number of financial institutions, commercial banks and energy trading companies, but the three new partners add heft to the

firm's energy transactions, project finance and international capabilities.

He also notes that Houston is a good location for international energy work in Latin America and Europe. "That's big," Pantano says.

In addition to adding more energy lawyers, Pantano says McDermott sees opportunity to build its mergers-and-acquisitions and intellectual property practices in Houston. He adds that the office will eventually grow from 30 to 50 lawyers.

Fay Morisseau, an intellectual prop-

Career-Related Articles (cont.)

McDermott Will & Emery to Open Houston Outpost

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erty partner in the firm's Orange County, Calif., office who has spent a lot of time trying cases in the U.S. District Court for the Eastern District of Texas, will move to Houston and manage the office, says Harvey Freishtat, the firm's Boston-based chairman.

Stephens says that because McDermott already has clients with energy work in Texas, it will make it easier for the firm to build a large energy group in Houston.

"I'm really helping them put physical reality around a practice that's already here," he says.

Pantano says McDermott's energy clients, many with trading operations in Houston, include Morgan Stanley, Merrill Lynch Global Commodities, Citigroup Energy Inc., Barclays Bank, Constellation Energy Commodities and El Paso Corp.

Stephens says he and Vittor left Bracewell on Feb. 26 but Locascio will not

leave Bracewell until the end of business on Feb. 28, because he was working on the closing of some transactions in New York this week and wanted to finish that work for his clients. All three partners will start work at McDermott on March 3, Stephens says.

Stephens says his clients include Bear Trading, the energy unit of Bear Stearns, and Constellation Energy Group of Baltimore.