
Professional Development

LAW FIRM ECONOMICS LEAD ASSOCIATES TO SPECIALIZE EARLY

Young associates are often too knee-deep in memos and briefs to give the business aspect of their firms much thought. But according to Donna M. Hitscherich of Gnosis Advisors, who spoke to an audience of 150 at the City Bar's Professional Development Breakfast Workshop, that can be a big mistake. Understanding a firm's organizational structure, the firm economics, and legal industry trends can be crucial to a mid-level associate's growth and happiness at a firm.

The December 6 workshop, titled "The Business of Law," encouraged attendees to think about legal business basics. "By understanding the business of law you will better understand what firms expect from associates, what will be expected from you at the firm, and what your prospects will be," said Hitscherich.

Associates need to have a solid understanding of how profit drives the business of law and how profitability is best achieved. To calculate the profitability of a firm, says Hitscherich, you need to look at margin, productivity and leverage. Firms want to increase these three highly intertwined elements. Take margin, for example. In order to increase margin you can lower expenses and/or increase hourly rate, which is not usually an acceptable option. Instead firms much ensure that productivity is high, which means that associates must use as many hours as possible in a billable fashion.

Hitscherich points out that given the average number of hours associates are expected to bill and the rate at which it is acceptable to bill an associate's time, most associates are not profitable until their fourth year. But according to recent studies, close to half of law firm associates (43%) leave their firms in the first four years. This high attrition rate, coupled with the poor profitability of younger associates, has

widespread economic impact on the firm. Firms push associates to bill as many hours as possible, yet want to retain them beyond the fourth year. "As we all know," says Hitscherich, "these two factors are often not compatible."

Choosing a Specialty

Understanding the business of law and legal industry trends in general can also be useful in determining what type of law you would like to practice. Most associates enter a law firm with little knowledge of which type of law they wish to pursue. But today's higher salaries necessitate higher billing rates and, if clients are going to be paying more, then they need to know the attorneys working on their matters have expertise in the issue at hand. Consequently, associates are having to specialize early in their legal careers. Economics have forced the well-rounded lawyer to be replaced by the specialist.

In choosing a specialty, associates need to think about the economics of the practice area, said Hitscherich. Is it a highly profitable area like securities litigation or M&A's, or one that is not as leveragable, like employee benefits or trusts and estates? Associates should think not only about the current economics of the practice area, but they should also consider what the future may hold for the field. Some types of law are more cyclical than others or more vulnerable during an economic downturn. It is important to ask yourself, says Hitscherich: "Do I like my chosen specialty today and will this specialty still be hot years from now when I am up for partnership?" Outside economics coupled with your chosen practice area may have a tremendous effect on the prospects of becoming a partner.

Mid-level associates can also apply their knowledge of the business of law to better evaluate whether they should make a lateral move or stay with their current law firm. With a solid business understanding, associates are able to evaluate the financial well-being of their current firm and the firm they are considering transferring to. Do the firms hold a strong position in the market place in your area of practice? Is there good growth potential? And are there opportunities at the firm for client development?

Hitscherich summed up by urging attendees to continue to think about the business fundamentals of their law firms. "Associates who are aware of business fundamentals are more efficient, have a better understanding of the importance of managing their time and undertaking client development, and ultimately are more satisfied in the career path they choose to take."

For more information on the Professional Development Breakfast Workshops and a complete schedule of upcoming sessions, please visit www.nycbar.org.

Nominees for City Bar Offices & Committees

The following candidates have been nominated for the City Bar's various offices and committees. Those elected will be announced at the Annual Meeting of the City Bar on May 23, 2006. Pursuant to By-law XXIII, other nominations must be posted no later than March 6, 2006.

President

Barry M. Kamins

Vice Presidents

Carey R. Dunne
William F. Kuntz, II
Loretta E. Lynch

Secretary

Cyrus D. Mehta

Treasurer

James L. Lipscomb

Executive Committee

Class of 2010

Denny Chin
Lucy F. Reed
Rosalyn H. Richter
John S. Siffert

Audit Committee

Robert J. Anello
Laurie Berke-Weiss
Allan L. Gropper
Christopher L. Mann
Marsha E. Simms

**NEW YORK
CITY BAR**

Forty-Fourth Street Notes

February 2006