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Compensation Structures for Partners and Associates and Attracting and Training Legal Talent

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ILFS/Alex Holtum

- Practised as a solicitor in the UK for 15 years: Freshfields/Partner DLA
- MBA/EY Law
- International Law Firm Solutions (ILFS) helps **independent law** firms build the international part of their practice.
 - Have worked with firms in 100+ jurisdictions
 - Team of 11 - several former lawyers
- Today look @ issues group discussed – mainly benchmarking independent firms against international ones



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Lockstep vs merit-based partners

- International:
 - Merit-based historically US
 - Lockstep historically UKMerit-based winning
- Independent – variable
 - Single-owner/family firms – not really applicable
 - Have to meet a certain critical mass before lockstep works
 - Need to be significantly larger for a proper merit-based structure (i.e. elected remuneration committee)
 - Where family firms dominate, lockstep can be very progressive



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Transparency vs black box (do partners know what other partners are earning)

- International
 - Mostly transparent – amongst full equity partners
 - Definition of full equity partner fluid
- Independent– variable
 - Single-owner/family firms – black box system without label
 - Black box generally province of very small or very large, or where equity held by 1 or 2 people
- Jones Day experience



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Downward pressure on fees: impact on compensation and competition

- International
 - Downward pressure on fees has become a way of life - nearly 10 years
 - Belief elite = silver bullet for future success = highly competitive starting salaries – Korea 120k; US firms 190K
 - Volume of lawyers more squeezed than compensation
 - More people qualifying than jobs available
- Independent
 - No clear pattern – depends on demand for legal advice in jurisdiction
 - Broadly reflects above



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Ever lengthening road to full equity

- International
 - Ongoing trend – increase equity partner: lawyer ratio
 - Freshfields in 1984
 - Equity after 6 years or left
 - Equity partner or Assistant
 - Different layers of assistant/associate/partner
 - Equity no longer holy grail (for everyone)
- Independent
 - Larger firms – probably reflect above
 - Many family owned firms don't fit model
 - Large firms owned by single individual –decreasing trend
 - Equity never realistic prospect for everyone



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Family firms/Succession

- Family firms or founded by a small number of key individuals that have held equity
 - Eastern Europe
 - Latin AmericaOften leading firms in jurisdictions
- Issues:
 - Leadership
 - Removal of equity
 - Traditional structure - e.g. Greece
- Solutions vary: attitude of established partners, quality of next generation



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Battle for Associate Talent

- Is it impossible to compete with international firms (where present) on salary?
- Offer a different proposition
 - LLM scholarships – package can be more important than pay
 - More rounded experience
 - Training in large international firms can be very limited
 - Broader/More client contact/More personal
 - Pay overtime – accountants
 - Secondments: overseas/in-house
 - Career path
- Mature/2nd career candidates



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