



Is it Bad to Be Part of or Join a Law Firm with High Turnover?

[By A. Harrison Barnes]

*This is the second part of a two-part series. To read the first part, visit the LawCrossing archives now!

The New Firm

New firms are often exceptionally dangerous places to work, and they frequently experience massive turnover in their early years as their leaders grapple with how to run them. The high turnover rate can be attributed to a variety of factors, from financial issues regarding compensation levels and the ability of the firm to make payroll to business crises resulting from decisions made by naïve young partners with no business experience to interpersonal conflicts stemming from difficult partners who may have moved from other firms to assist with starting the new firm. Regardless of the reasons for the turnover, significant numbers of departures from new law firms must be closely examined.

One major problem at new law firms, which has been mentioned above, is that partners who start and run new firms often have no business experience. In fact, these partners are often completely clueless about what it takes to run a business. Financial concerns such as making payroll or budgeting for office expenses are often secondary or ancillary concerns for busy partners who are focused on growing a young law firm. What's more, attorneys are generally not the best managers. Their approach to business frequently means farming out work and then micromanaging assignments to make sure they are completed to their expectations. Their approach does not necessarily involve nurturing you and making sure you are a happy attorney. Finally, a major problem with new law firms is that the partners

building them may lack good judgment in dealing with finances or with the way they acquire and retain new clients. Lack of judgment can raise the most pernicious problems for new law firms.

Thus, when you begin to see massive amounts of turnover at a new law firm, it is important to ask several questions. You will need to understand whether the turnover is due to financial uncertainty and business problems or due to management issues. If the turnover is a result of financial issues, my advice would be to avoid the law firm. If the turnover stems from interpersonal or management issues, the situation may require additional examination. New law firms may be able to work through management issues; financial issues, in my experience, generally require a good deal of time to overcome.

The Psychotic Law Firm

The psychotic law firm is generally characterized by the inability of attorneys within the firm to communicate properly. Thus, the psychotic law firm generally has an unworkable social structure and/or interpersonal constructs that make communication between partners within the firm impossible.

Law firms do go psychotic. Psychotic law firms are generally small, but large law firms can go psychotic, too. I have seen this happen numerous times, and it is not fun to watch. The process can happen in a number of ways. Typically, law firms end up going psychotic because

of managerial decisions regarding partner compensation. This is something that has driven hundreds of law firms over the edge and made them impossible places in which to work. What typically happens is that the partners with the most business-or even outside consultants-will make sweeping changes to the firm's compensation plan. This can cause anger, factions, and resentment to develop amongst the remaining partners. Such anger often causes the firm to implode.

Small law firms may go psychotic when one or two of the partners no longer get along or when one partner becomes involved in illegal activity. This even happens in large law firms from time to time. Ultimately, the psychotic law firm will be characterized by turmoil and nonsensical decision-making.

Law firms that have gone psychotic resemble people who have gone psychotic. They may get better, or they may not. You need to use your own judgment to determine whether you think the psychotic law firm will stabilize. In most cases, however, you are better off leaving the law firm that has gone psychotic, especially if you are seeing mass turnover.

The Acquisition Target

Many law firms are good acquisition targets for other law firms. Generally, an acquisition target is a large, very top-heavy law firm that is experiencing rapidly declining revenues or a very successful, specialized law firm in a smaller practice area (real estate or intellectual property, for example).



Without going into a lot of discussion, I will note a few facts about acquisition targets. Larger law firms that are top-heavy and experiencing declining revenues may be in that predicament because they have too many partners who are not profitable (i.e., older partners without business or who do not work hard). For a variety of reasons, the acquisition target may not be letting these people go. (Remember, most attorneys are not good businesspeople). Therefore, what often ends up happening is that when merger talks begin with another firm, both parties will sit down to ask what the other side offers and to review the financials of the various partners in both firms. The least profitable partners are often going to be told they have to go. The same goes for many of the associates. That's why prior to or during the process of a merger involving a large law firm, you will start seeing a rash of departures. More often than not, this is not a good sign. Unless you have a very close mentor in the firm, you could very quickly be out of a job. In merger situations, both sides generally want to retain only the best partners and associates from each side.

When smaller firms are very specialized and successful, they also make good

acquisition targets. This is because partners in the target firm often have the opportunity to make more money if they move into a larger, full-practice firm where they can perform work in other areas. For example, partners at a firm that does all intellectual property patent work can increase their income if they move to a full-service firm where they will be able to get corporate, real estate, and other types of work from their clients. This is advantageous for the partners in the target firm. It can also be advantageous for the acquiring firm because it can often acquire a practice group that it did not have or add a more profitable group to its practice.

In all instances, the acquiring firm will not want the nonproductive members of the team. Members are labeled nonproductive when they are not generating significant revenue or new business. Once merger talks have begun but prior to any formally announced acquisition, you will generally see a rash of departures of underperforming partners who leave to work in-house, teach, or practice at much less prestigious firms. This is not a good sign, for the most part, because it suggests that you are at a firm that may be dying.

Conclusions

When you are seeing a rash of departures from your law firm, the chances are very good that there is an underlying social, business, or economic dynamic at work. In order to decide whether you should be alarmed about these departures, you need to determine what is driving them and consider whether there are danger signs that hint that there is something seriously wrong with the social fabric of your firm. If your firm looks like a flash in the pan, a conformist firm, a new firm, a psychotic firm, or an acquisition target, you may have cause for concern and may want to exit along with the herd.

However, remember that there are no hard lines that govern mass departures because turnover can, in fact, be very, very good for a law firm. If your firm is improving, growing, and getting more profitable, that is a good thing. In order for a firm to improve, sometimes people need to leave. If your firm is attempting to better itself and people are leaving in response to this, my advice is to stay put. The turnover may be the result of efforts to provide a better future for you and others within the firm.