SAN FRANCISCO
Daily Journal
—Since 1893—
FRIDAY,
SEPTEMBER 7, 2007
Official Newspaper of the San Francisco Superior Court and United States Northern District Court

Hanson Bridgett Woos Talent Without Offering Top Dollar

By William-Arthur Haynes
Daily Journal Staff Writer

S. TODD ROGERS / Daily Journal

Andrew Giacomini, top partner at Hanson Bridgett in San Francisco, said his firm competes for "the best lawyers we can get," but has opted not to go dollar-for-dollar on salaries.

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.

Hanson 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 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 prestige 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. Those types of things 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."

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 résumé."

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."