

**THE SCENARIO** Mary stopped inside her office door, looking out at the hub of activity before her. She had just received her offer to become a partner and had an immense decision to make. After working for five years as an associate at the firm, she felt gratified that her achievements had culminated in the offer. But she wasn't sure whether accepting would be the right move. She stood at a crossroads in her life.



# Deal or No Deal?

## Advice for Evaluating the Partnership Offer

Down one road was the prospect of working for the firm until her retirement, comforted in the security of a hard-earned place as a stakeholder. The other road was less defined—but might it hold less risk and opportunities of other kinds?

She realized there were a lot of questions to be answered before she could weigh the offer properly.... Exactly what were the expectations involved in partnership? On the financial side, she knew there was a capital buy-in due to the firm, but she was unsure how to gauge if the amount was reasonable. And what about things like unfunded obligations, such as the retirement policies due to present partners—how would

they affect her expected income? The firm was top-heavy in aging partners. At the same time, there weren't many females, lawyers from diverse backgrounds or younger persons in the top partnership ranks. Would that affect her opportunities regarding management, rainmaking and leadership within the firm? There must be a lot of unstated expectations of new partners, she thought—how would she measure up? And what would doing so cost her in terms of her family and personal life? Her mind was abuzz. She felt so unclear about how to process the pros and cons of accepting the offer. She wondered whom she should turn to....

**OUR EXPERTS RESPOND ON THE NEXT PAGE**

This case study is the fourth in a *Law Practice* series. We posit a scenario that many of our readers confront and ask selected experts to discuss solutions. The goal: To provide our readers with practical how-to approaches they can apply in the types of real-world situations that arise in lawyers' lives.

## THE EXPERTS

**Gerald A. Riskin**, management consultant and former managing partner

**George W. Kaufman**, teacher and lawyer

**David Sorin**, management and leadership skills consultant and lawyer

**Laura Reid**, human resources advisor and recruitment consultant

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### Bottom Line Priorities and Opportunities

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**M**ary, the first priority is to speak with your personal accountant. If your accountant does not serve a number of law firms, then find one who does. The right accountant can do a net present value (NPV) calculation, which will tell you exactly how much additional income you will require to offset your capital contribution, based on assumptions that are sensible to you (like projected interest rates and the like). This accountant can also quantify the NPV of the firm's unfunded obligations and give you a sense of how serious those are. The accountant's advice may lead you to a negative conclusion about joining the partnership. On the possibility that it will not, let's explore some other issues.

I am assuming that you are practicing in this firm by choice and have some affinity to it. If not, the following comments will likely be of no interest to you.

**Leadership prospects.** The demographics of your firm present a huge opportunity for you. Because the issue of diversity is experiencing a meteoric rise in importance in the offices of the general counsel of Fortune Top 1000 clients, it follows that your firm would be wise to allow you to participate in management. If appropriate in the next few years, the firm might also consider you for a leadership role, whether managing partner, chair, or head of a practice or industry group.

However, I presume from your questions regarding the financial dimensions of entering the partnership that you are not a business lawyer and do not have a business degree. If you are serious about a leadership role, you should consider obtaining an MBA from a school that specializes in law firm-related business degrees. You can earn this degree in a couple of years without spending a lot of time at the educational institution. (Much of the program will be run by correspondence.)

If you are eager to embrace your opportunity and invest in your education to achieve it—and if the accountant's advice does not predicate against the decision—then I encourage you to go for it. If those factors do not hold true, there is only one other reason to stay. That would be that you love your practice and find the other lawyers in the firm materially helpful to you in providing unsurpassed quality in your chosen field and very high client satisfaction levels. If that is not the case either, then call the headhunter. It's time to move on.

### A Three-Pronged Exploration

**DAVID SORIN** (dsorin@managingpartnerinstitute.org), an attorney of 30 years, is a founding principal of the Managing Partner Development Institute, which helps current and future managing partners improve their leadership skills.

**A**mong the positives for you, Mary, is that while partnership used to be the goal of almost every lawyer, that is no longer the case. Your generation understands that you have more options than lawyers were aware of in the past and has a willingness to shift gears in midstream, so that no decision has to be a permanent one. That being the case, you need not view your decision as one for the ages.

As to how to approach the decision, I think you need to do it from several perspectives. The first is looking long and hard at you. The second is looking in equal depth at the firm. And the third is looking at external factors.

**The different perspectives.** To begin with, you need to figure out what your priorities are in life. Is your work a means to help you achieve the type of life you want? Or is it your passion, and in and of itself the life you want? I would use a WIIFM—"what's in it for me"—approach. What does accepting partnership do for you in the short term? In the long term? Financially? In terms of workload and stress? Time away from home? The quality of the work you get to do? Positive career developments and opportunities? Overall, what are the rewards? And what are the possible negative consequences?

Now use the same thought process with a decision not to accept partnership. Again, how will it affect you both positively and negatively? What will that decision do to your

opportunity to be a partner in the future if you so choose? Is it up or out in your firm, and if so, are you ready for “out” if you turn down the offer?

The fact that you have been working for this firm for a while leads to the conclusion that the culture, the values and the people are acceptable to you. However, have you thought about what your motivators are and whether they are being met? Which ones are not being met, and how important are those to you? Would accepting a partnership touch some of those motivators? For example, if being entrepreneurial is an interest of yours, becoming a partner may give you an opportunity to push that envelope and to stretch the firm in new directions.

Looking at the firm involves looking at its leadership, strategic direction, competitive advantages, marketing plan and execution, reputation in the marketplace, future orientation and client service orientation. It involves looking at the finances, the infrastructure, the technology and any gaps in competencies that could prove fatal.

External factors to consider include the economy and how changes in it might positively or negatively impact the firm’s success; types of regulatory changes that could affect the firm’s practice areas, and factors such as political shifts and world events that can also affect the firm’s prospects going forward.

It is a lot to consider. If your values are aligned with those of the firm, you enjoy the culture and the people, the firm governance suits you, you are passionate about the work, you will have time for the other priorities in your life, you feel you can make a difference as a partner, and the financial aspects fit your level of risk and investment ability, then it sounds as if partnership would be good for you. However, if the values, culture and

people issues don’t line up, or the passion is missing, or the level risk is higher than you desire, partnership might not be the right choice. Only you can give weight to all of the factors and make the final decision. Either way you decide, you have received a nice opportunity of which you should be proud, and you should end up feeling good about your decision.

### Success versus Happiness

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What a nice quandary for you to consider, Mary. You’ve asked many of the right questions. Let’s first get through the due diligence questions, and then talk about the core life issues you are raising.

**Due diligence.** We don’t need to dialogue around the due diligence issues—these kinds of questions are the same ones that you, as a careful attorney, would ask on behalf of a client. Just draw on your analytic skills and see in what direction the answers draw you. What you want to do is review the firm’s financial statements for the past three to five years, along with the firm’s partnership agreement and its professional liability policy, and determine the answers to the following:

#### Financial Issues

- What have the partners earned over each of the past five years?
- What is the process for moving up the partnership financial ladder?
- Has the firm’s professional liability policy been drawn on over the past five years?
- Is the firm carrying any debt? If so,

what’s your potential liability?

- Are there seasonal or annual cash flow challenges?
- What is the equity contribution required of all other partners?
- What burden will there be on remaining partners when senior partners retire—that is, what are the lifetime benefits guaranteed to retired partners?
- What is management’s plan for dealing with a top-heavy firm regarding the sharing of profits?
- What percentage of the firm’s revenues are attributable to the top three clients?

#### Corporate and Governance Issues

Consider these questions as well:

- How is voting accomplished?
- How many partners have come into the firm in the past five years?
- How many partners have left the firm in the past five years?

If the due diligence questions raise worrisome issues about the firm’s future or its financial rewards to you, then your decision becomes clear and you needn’t consider lifestyle questions. If your due diligence research is reassuring, then the issues described next become your bellweather for making choices.

**Lifestyle and values.** Here’s an exercise that should help enlighten you about whether partnership in this firm will be a good choice for you as an individual—and remember, answers that come from the head *and* the heart have equal validity.

On the left side of a piece of paper, write down your five most important values, in order of priority. Then on the right side of that paper, put down what you consider the firm’s five most important values (also in order of priority). If your firm has a written values statement,

you need to decide if the firm practices in a way consistent with those values. If its values are unstated, you can only cull them by observation and interaction. Note that firm values can also be demonstrated in the composition of minorities and women at all professional levels.

If there is commonality between your values and the firm's, that bodes well for your future as a partner. If commonality is lacking? Well, if disparities existed with a friend, how long would that friend remain in your inner circle? I suggest the same may be true if the disparities exist in your workplace.

One final observation. There is a difference between success and happiness, a distinction often overlooked by lawyers. Making partner is a form of success. Whether it will make you happy is a totally different question.

I am reminded of the wealthy merchant in India who met a guru who owned only the clothes on his back and a begging bowl. The merchant was impressed. "What sacrifices you have made!" he said. The guru disagreed. "My sacrifices are nothing compared to yours. I have only given up the finite for the infinite—but you have surrendered the infinite for the finite."

If you choose to be a partner in this firm, will you be able to create a balance between your personal life and your work life? Will the firm understand and support that goal? Will you be able to find a balance in life for more than mind—will it include body and spirit? Will you have time and energy to keep exploring and growing, making sure that all the potential within you finds expression? As the motivational speaker Wayne Dyer once wrote "Don't die with your music still in you." I urge you to find your music and follow it wherever it leads.

## The Good of the Whole

**LAURA REID** (laura@arlynreid.net) and **DIANE CRONK** (diane@arlynreid.net) are human resources advisors with the training, recruiting and consulting firm Arlyn Reid and have extensive experience in working with law firms.

To ensure that you are making the right decision, we suggest you approach some key questions from a philosophical perspective. First, Mary, is practicing law something that truly excites you, something you love doing? If so, then remember that partnership will offer you an opportunity to work with people who are as passionate as you are—people who are intelligent and talented—and you will thereby receive the benefit of the "good of the whole." Because of that collective group, you will be able to increase the quality of the law you practice. With that in mind, look at the end of your life and ask, "Would I regret not having chosen partnership?"

If, deep in your heart, you believe partnership is something you truly desire, you then need to look closely at the partners in this particular firm and ask yourself, "Do I like them?" It's important. A partnership is similar to a marriage—you are in it for the long term. You want to be with people you like and whose values you respect.

Next, don't just look at what the partnership can offer you, look at what you can contribute to the partnership. Again, this means looking at the end of your life and working backwards. You may want to get involved in the management side of the firm. Marketing may be your thing, or it may be teaching and mentoring associates. You may like to work with a particular type of client or do a certain type of work. Do some soul searching. What are your longer-term goals? What do you want to accomplish? Identify your personal vision. Then talk to the partners about

it—are they able to connect with it and support it? Find out how much influence you will have in partnership decisions in order to achieve your vision.

### Work-life balance for committed women partners.

Many women don't choose partnership because they are afraid that family and other personal obligations will prevent them from making a 150 percent commitment to the firm—or that they will have to sacrifice their family priorities, or motherhood, to be a successful partner. Yes, these are realistic considerations. However, ask yourself whether you will be truly happy in your family life if you can't do what you love to do.

As much as women fear they won't be able to balance their work and their family lives, partnership can sometimes offer an opportunity to create *more* balance. For example, there are lawyers who focus solely on client development, bringing work to the firm without doing the actual legal work. These types of options could work in your favor as a partner, and add huge value to your life. So be sure you don't discount partnership because you are one of the only women in the firm.

Sometimes associates view partnership as "larger than life." But consider this: You have already met a lot of the standards—that's why you have been offered partnership. You have worked hard and demonstrated your ability to handle the practice of law. As a partner, it is more entrepreneurial. You are embarking on "ownership" and can drive that practice with people you like, admire and respect.

Remember that you are passionate about practicing law and proud of your purpose in the firm. If you have reflected on your life goals and you like and respect the firm's partners and feel they will honor your personal vision, there is really no reason to refuse their offer. ▮