

Want Power in Your Law Firm?

Learn How to Use Talent-Based Metrics

Beth Cavagnolo

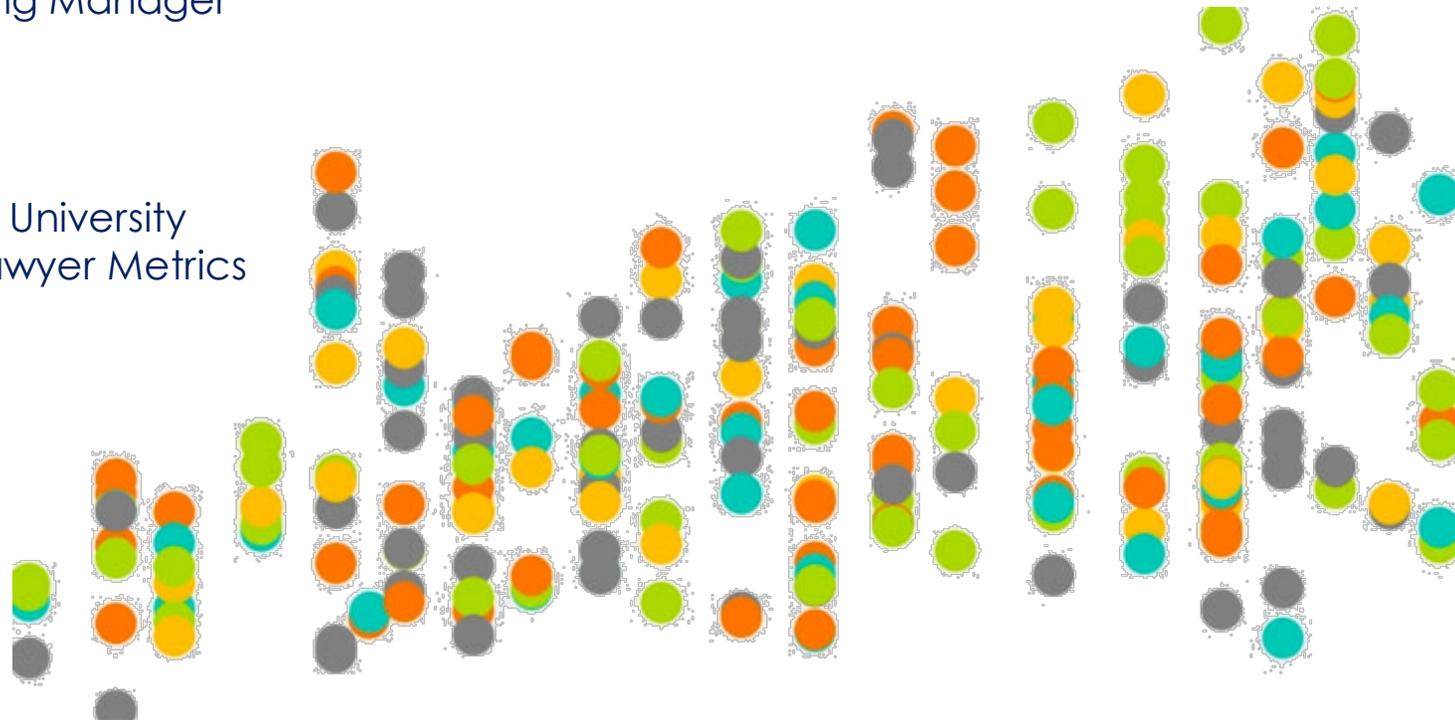
Director of People, Americas
White & Case LLP

Lynne Traverse

Firmwide Lateral Recruiting Manager
Bryan Cave LLP

William Henderson

Professor of Law, Indiana University
Chief Strategy Officer, Lawyer Metrics





LEIPOLD DURLING & JEFFERSON
attorneys at law

Talent Management at LDJ



Beth Cavagnolo
Chief Talent Officer



Lynne Traverse
Director of Recruiting



Bill Henderson
Senior Data Analyst



Leadership Team



Jim Leipold



Jean Durling



Mina Jefferson



LEIPOLD DURLING & JEFFERSON
attorneys at law

Voicemail left for Lynne Traverse:



JIM LEIPOLD

“Hi Lynne, this is Jim. I need your help. As you know, we are busier than hell in both our Texas and New York offices.

“Unfortunately, we just found out some of our go-to associates are leaving the firm. We need replacements ASAP for four associates – two in Corporate in New York and two in Tech/IP in Texas.

“Can you give me a call regarding a timeline for getting this done? I am getting a lot of heat from the affected partners.

“Again, as soon as possible.”



Two Problems

1. Today's business problem:

Four quality associates
leave firm during a busy
period

2. Systemic business problem:

Unwanted associates
departures occurring on a
regular basis (~26 times a year)



Systemic Problem

- LDJ has 189 Current Associates
 - 24 entry-levels/yr. since New Normal
 - 53% lateral associates
 - 2.94 yrs. average stay
 - 3.7 yrs. homegrown
 - 2.2 yrs. lateral
 - 61% leaving for other law firms

1. Organize the Data

LDJ by Practice Area

Location	Current Associates	Left since 2011	Avg Associate Tenure (years)	% Lateral
Corporate & Transactional	67	80	2.85	57%
IP / Tech / Life Sciences	44	49	3.14	47%
Litigation	36	34	3.08	46%
Other Specialized Practices	42	25	2.62	56%
LDJ Firm	189	188	2.94	53%

LDJ by Practice Area

Location	Left for this Practice Setting			AM Rank of Firm Joined
	Law Firm	In-House	Gov't / Pub Interest / Other	
Corporate & Transactional	65% (n=52)	29% (n=23)	6% (n=5)	44
IP / Tech / Life Sciences	57% (n=28)	24% (n=12)	18% (n=9)	55
Litigation	56% (n=19)	18% (n=6)	26% (n=9)	62
Other Specialized Practices	64% (n=16)	20% (n=5)	16% (n=4)	52
LDJ Firm	61% (n=115)	24% (n=46)	14% (n=27)	51

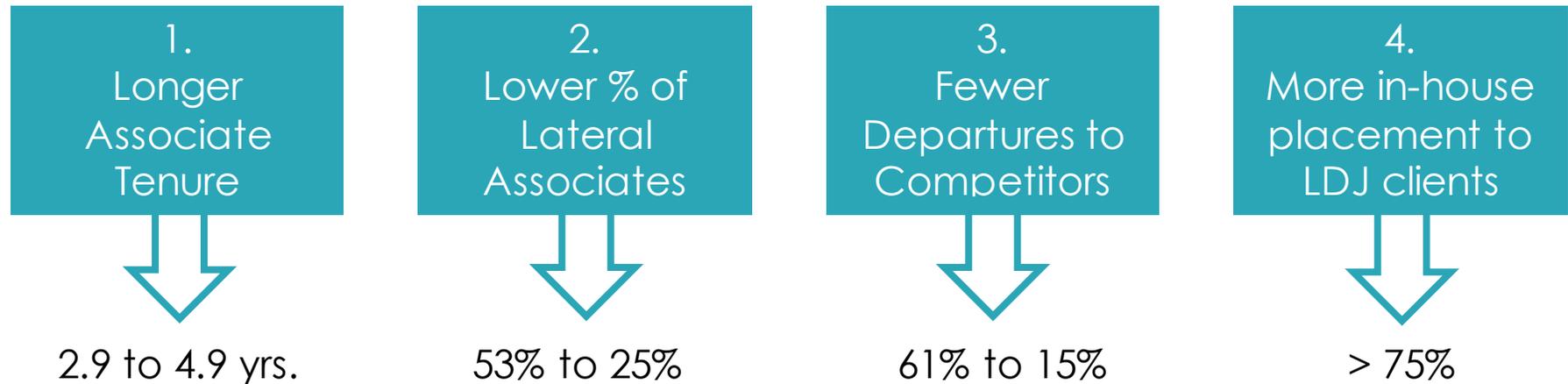
LDJ by Office

Location	Current Associates	Left since 2011	Average Associate Tenure (yrs)	% Lateral
Dallas (HQ)-Austin	54	48	3.31	54%
New York / London	36	44	2.59	46%
Washington / N. Va.	52	58	2.95	51%
Chicago	27	23	3.12	44%
SF/Silicon Valley	6	8	3.24	40%
All Others	14	7	2.66	83%
Total	189	188	2.94	53%

LDJ by Office

Location	Left LDJ to this Practice Setting			Rank of AM 200 Firm Joined
	Law Firm	In-House	Gov't / Pub Interest / Other	
Dallas (HQ)-Austin	63% (n=30)	31% (n=15)	6% (n=3)	56
New York / London	68% (n=30)	18% (n=8)	14% (n=6)	37
Washington / N. Va.	55% (n=32)	17% (n=10)	28% (n=16)	52
Chicago	61% (n=14)	35% (n=8)	4% (n=1)	74
SF/Silicon Valley	63% (n=5)	38% (n=3)	0% (n=0)	43
All Others	57% (n=4)	29% (n=2)	14% (n=1)	32
LDJ Total	61% (n=115)	24% (n=46)	14% (n=27)	51

Key Metrics for solving Systemic Problem



2.

Simplify to Explain
to Leadership

Terminology

Term	Definition
Talent Model	Competencies used for selecting, developing, and retaining lawyers
Talent System	<p><u>Strategic</u>: Using design principles to connect together the firm's talent model in service of the firm's strategy</p> <p><u>Operational</u>: Monitoring and improving talent management performance through the use of metrics.</p>

Examples of Talent Models

McKinsey Selection, Training, Promotion Model

The Building Block Concept of Selecting and Advancing McKinsey Consultants.

Study of our experience over many years shows that an associate with the Basic Qualities [Block A below] can build on this foundation to (1) learn everything he needs to know to become an outstanding consultant; (2) advance to principal, director, and practice leader; and (3) be a Firm leader generally.

Therefore, we should not employ anyone who lacks the Basic Qualities, regardless of prior experience, knowledge, technical skills, educational degrees, language, competence, or urgent need for his [or her] services. ...

In interviewing associate candidates and checking their references, we are evaluating potential. In making advancement decisions, however, we are evaluating demonstrated performance of Basic Qualities (A), Basic Consulting Skills (B), and Essential Knowledge (C). ...

Qualities, Skills, and Knowledge of an Outstanding McKinsey Consultant—Based on Successes/Failures of Real McKinsey People

(Read from the bottom up)

C ESSENTIAL KNOWLEDGE (The individual with the Basic Qualities and a real interest in becoming an outstanding consultant with the Firm can acquire this knowledge.)					
1. Special technical competence	2. Superior judgment	3. Firm managing philosophy and knowledge	4. Firm/office strategy	5. Caring leadership of firm personnel	6. Clientele building (developing and attracting clients)

B BASIC CONSULTING SKILLS (The individual who has the Basic Qualities and a real interest in becoming an Outstanding consultant with the Firm can learn these skills.)					
1. Professional approach	2. Management fundamentals – business or government	3. Interviewing, fact gathering	4. Firm problem-solving approach.	5. Effective Relations with client and firm personnel	6. Client communications and persuasion (oral and written)

A BASIC (FOUNDATION) QUALITIES (With these qualities, the individual who is interested can learn everything needed to become an outstanding consultant with the Firm.)						
1. Character. The No. 1 quality.	2. Personableness. Favorable appearance and personal impression	3. Personality. Forceful, mature, self-confident, and emotionally stable	4. Mental Equipment. Outstanding analytical and creative ability.	5. Ambition. Achiever with a zest for learning	6. Personal Effectiveness. Vigor, initiative, drive, capacity to get things done.	7. Interpersonal competence: Capacity to attract and persuade others.

Hold yourself and your
colleagues accountable.

Core Values

Be humble and stay hungry.
Enjoy and be great
at your job.

Our core values were proposed and written by our team in 2010, with the goal of identifying what characteristics made us successful—and what will help us continue to be successful as our company grows.

Be an excellent communicator.

Communicate clearly, answer questions directly, listen to others, and remove any unnecessary words in writing. > Communication is more effective when people can tell that you believe in what you're doing; make it fun, and don't take yourself too seriously. > You don't have all the answers. Be curious, ask questions, and create a dialogue.

Exceed the expectations of our customers and your colleagues.

Go the extra mile to provide outstanding customer service, and treat fellow employees like customers. > Every task is worth doing well and better than anyone else. > Execution is everything. Be meticulous. > This value applies to everything we do, no matter how small.

Hold yourself and your colleagues accountable.

Be dependable, conscientious, and empathic. Focus on self improvement, and know your own limitations. > Question your own intentions: is what you're doing in the best interest of others (our clients, your colleagues, your family, etc.)? > Take ownership of mistakes.

Be humble and stay hungry.

Don't be arrogant. > Success hides mistakes and problems. > Keep growing, changing, and looking for the next challenge. > Put yourself in challenging situations so you and kCura grow.

Enjoy and be great at your job.

Take pride in your work, ask to do more, and have fun. > Do it because you love it, or go find something else to do. > Don't be somebody you're not.

Embrace the talents of your colleagues and our clients.

Practice teamwork and collaboration within your department, across departments, and with clients.

Do more with less.

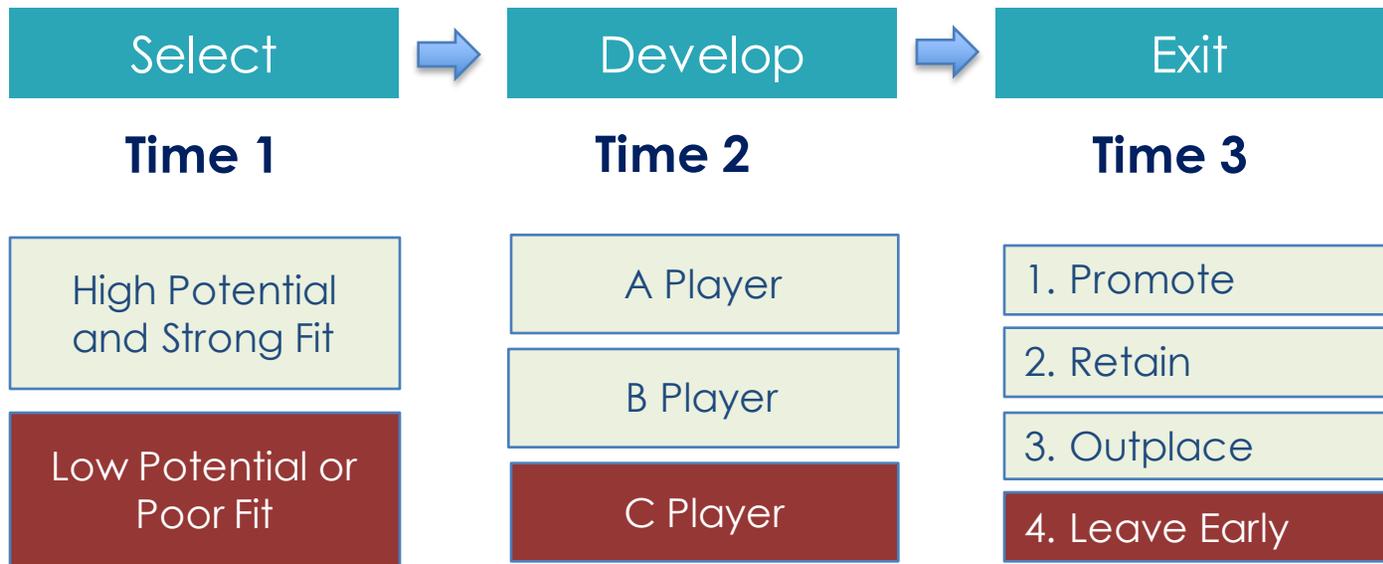
Be frugal and efficient. Commit to constant process improvement. > Never lose the sense of urgency for making improvements to the way we do things.



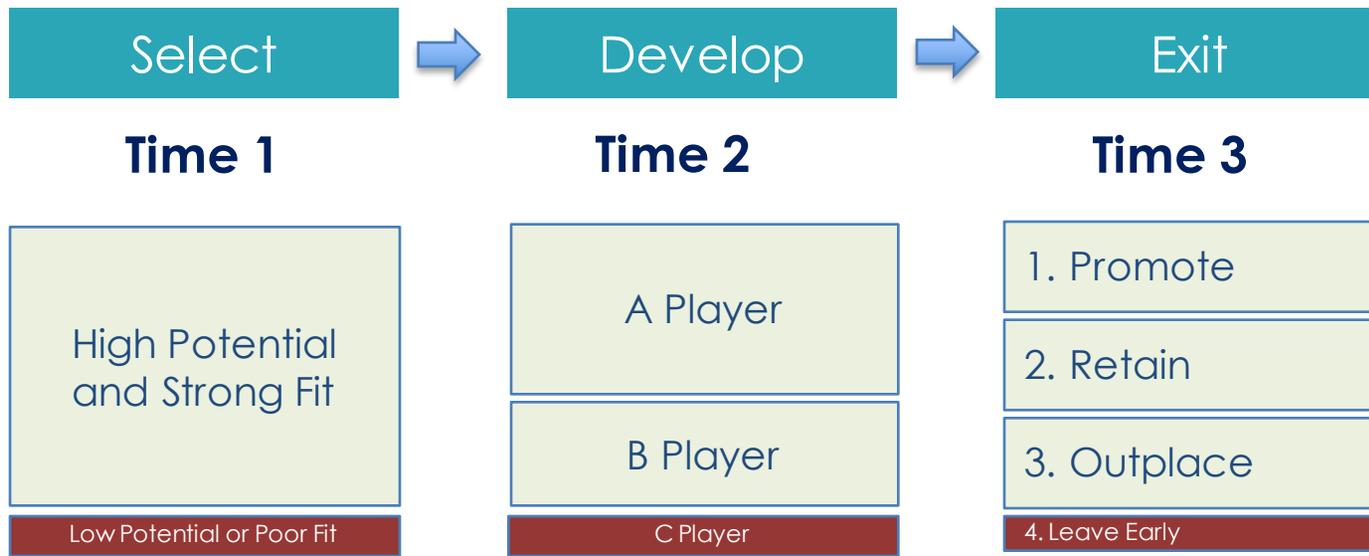
- Software company 100% focused on legal industry.
- HQ in Chicago
- 470 employees, growing fast
- Numerous awards for growth and quality of workplace
- 60% Millennial workforce

Example of a Talent System

CTH Talent System

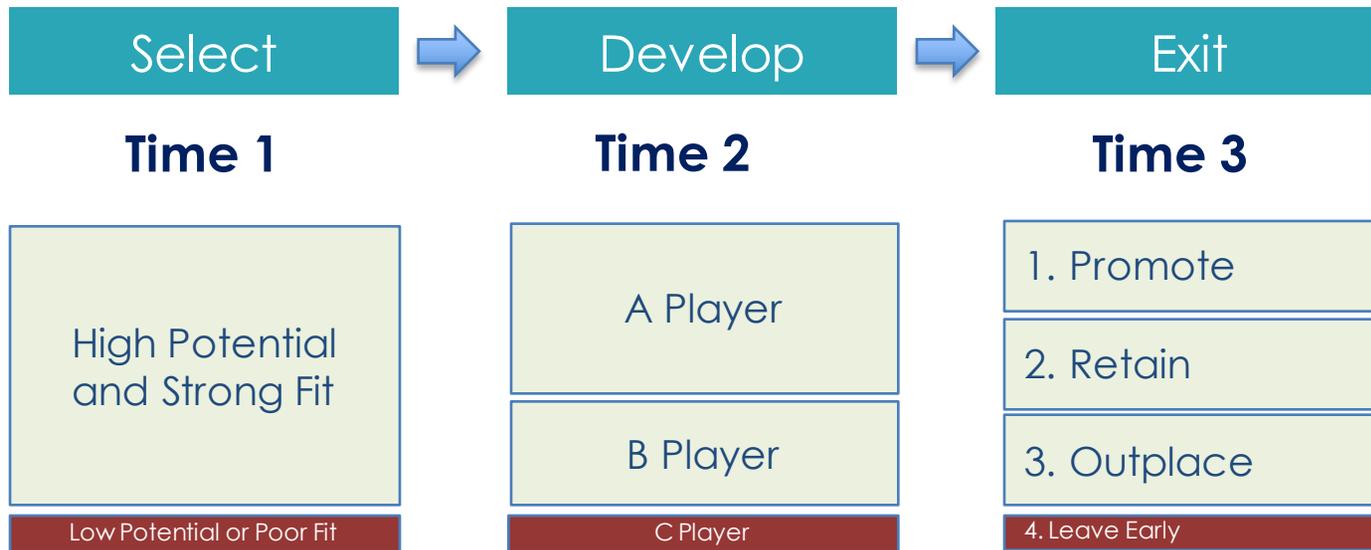


CTH Talent System



**Operating Principle:
Minimize the Red**

CTH Talent System



- Behavioral Interviews
- Personality and Values Assessments
- True Writing Test
- Biographic Inventories ("Moneyball")

- Work Assignment Systems
- Engagement Surveys
- Business & Leadership Training
- Coaching & Mentoring
- Client Secondments

- Alumni Networks
- Highly Attractive Non-Partner Tracks
- Confidential Career Counseling

3.

Translate People Problem
into **Time** and **\$\$**

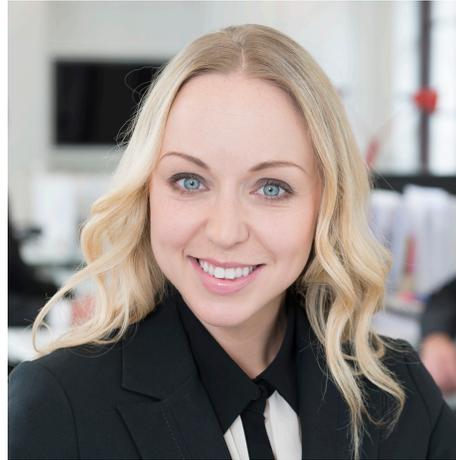
(the language of partners)

Candidates for LDJ Associate Position



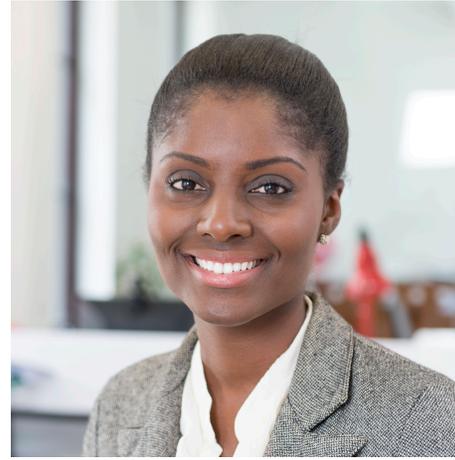
Joe

- Harvard Law
- College sports
- Family of lawyers



Alicia

- Boston College Law
- Journal editor
- Personable



Denise

- Northeastern Law
- Moot court champ
- Active in ABA



Kevin

- Suffolk Law
- Blue collar
- Strong grades

Cost of LDJ Entry Level Hiring

Hiring Component	Hard costs	# of People involved	Hours	Rate	Total
On Campus Interviews (24 schools)					
Fees to Schools	\$75,000				\$75,000
Travel & Lodging	\$1,500	24			\$36,000
Associates		24	15	\$350	\$126,000
Partners		24	15	\$700	\$252,000
Callback (100 candidates)					
Associates		50	10	\$350	\$175,000
Partners		50	10	\$700	\$350,000
Travel & Lodging	\$1,500	75			\$112,500
Entertainment	\$250	100			\$25,000
Summer Program					
Entertainment and activity costs	\$250,000				\$250,000
Associates		25	36	\$350	\$315,000
Partners		10	24	\$700	\$168,000
Hard costs to Candidates					
Summer Salary, all in with taxes	\$36,000	24			\$864,000
Bar Expenses, Stipend, Moving Allowance	\$25,000	24			\$600,000
Onboarding					
Partner time		5	24	\$700	\$84,000
Associate time		24	20	\$350	\$168,000
Onboarding materials and events	\$15,000				\$15,000
Recruiting Personnel					
Recruiting and Talent Management Staff		4	1000	\$131	\$524,000
					\$4,139,500

$\$4.1\text{M} / 24 = \$172,479$ per hire

Cost of LDJ Entry Level Hiring

\$4.1 million to run Fall Recruiting Program

Assume 8 of 24 LBJ hires in most recent year were either low potential or poor fit

- 33% error rate (n=10)
- 67% success rate (n=14)

Cost of hiring quality candidate on entry level market is now **\$258,719**

- $\$4.1\text{M} / 16 = \$258,719$

# Hired	Number of Poor Fit or Low Potential (C Player)	Error rate	Cost of A or B Player Hire
24	0	0.0%	\$172,479
24	1	4.2%	\$179,978
24	2	8.3%	\$188,159
24	3	12.5%	\$197,119
24	4	16.7%	\$206,975
24	5	20.8%	\$217,868
24	6	25.0%	\$229,972
24	7	29.2%	\$243,500
24	8	33.3%	\$258,719
24	9	37.5%	\$275,967
24	10	41.7%	\$295,679
24	11	45.8%	\$318,423
24	12	50.0%	\$344,958

LDJ 3rd Year Associates



Joe

- 300 hours short on hours
- Tells peers that legal work is boring
- Strikes work/life balance by traveling every weekend for sports
- Interested in politics and running for elected office

C Player



Alicia

- Outstanding work product
- Never misses a deadline
- Hits hours target
- Clients love working with her
- Good at saying “no”

A Player



Denise

- Very ambitious
- Moot court champion
- Strong external network but no internal mentor
- Made a mistake early on
- Starving for challenging work
- Looking for new opportunities

A Player Potential



Kevin

- High-quality work
- Works long hours
- Strong writer
- Learns very quickly
- Positive attitude
- Loves the work, but has too much of it
- Thinking of leaving

B+ Player

Cost of Replacing LDJ Associates

Hiring Component	candidates per opening	# involved	Time (hours)	Hourly Rate	Dollar Amt.
Time to replace hire lateral associate					
Partner interviewing and vetting	3.00	6.0	4.00	\$700	\$50,400
Staff time	3.00	3.0	8.00	\$131	\$9,432
Impact on client work					
Write-off and rework hours			75.00	\$350	\$26,250
Onboarding					
Partner time		6.0	5.00	\$700	\$21,000
Associate		3.0	7.00	\$350	\$7,350
Staff time		3.0	24.00	\$131	\$9,432
Hard costs					\$7,500
Leadership Overhead (Leipold's phone calls)		5.0	3.00	\$1,250	\$18,750
Hard Costs					
Recruiter fees					\$52,500
				Total:	\$202,614
			# of Laterals per year:		26
					\$5,267,964

Cost of LDJ Lateral Associate Hiring

\$5.3 million to hire 26 lateral hires per year

Assume 13 of 26 LBJ hires in most recent year were either low potential or poor fit

- 50% error rate (n=13)
- 50% success rate (n=13)

Cost of hiring quality candidate on lateral market is now **\$405,228**

- $\$5.3\text{M} / 13 = \mathbf{\$405,228}$

# Hired	Number of Poor Fit or Low Potential (C Player)	Error rate	Cost of A or B Player Hire
26	0	0.0%	\$202,614
26	1	3.8%	\$210,719
26	2	7.7%	\$219,499
26	3	11.5%	\$229,042
26	4	15.4%	\$239,453
26	5	19.2%	\$250,855
26	6	23.1%	\$263,398
26	7	26.9%	\$277,261
26	8	30.8%	\$292,665
26	9	34.6%	\$309,880
26	10	38.5%	\$329,248
26	11	42.3%	\$351,198
26	12	46.2%	\$376,283
26	13	50.0%	\$405,228
26	14	53.8%	\$438,997

Review

Type of Hiring	Annual Cost	#	Per Hire	To get one A or B Player
Entry Level	\$4,139,500	24	\$172,479	\$258,719
Lateral Associate	\$5,267,964	26	\$202,614	\$405,228
Total:	\$9,407,464	50		

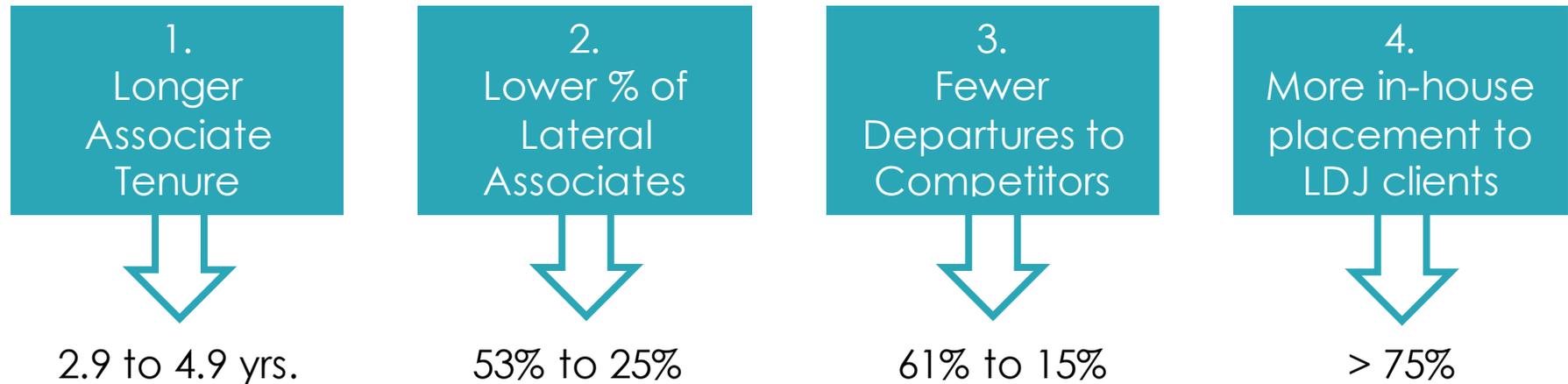
How much is being spent to improve selection and retention?

Current Composition of LDJ Associates

Associates	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	A	A	A	A	A	A	A	A	A	A
2	A	A	A	A	A	A	A	A	B	B
3	A	A	A	A	A	A	B	B	B	L
4	A	A	A	A	B	B	B	B	L	L
5	A	A	A	B	B	B	B	L	L	L
6	A	A	B	B	B	B	L	L	L	L
7	A	A	B	B	B	L	L	L	L	L
8	A	B	B	B	L	L	L	L	L	L
9	B	B	B	C	L	L	L	L	L	L
10	B	B	B	C	L	L	L	L	L	L
11	B	B	C	L	L	L	L	L	L	L
12	B	B	C	L	L	L	L	L	L	L
13	B	B	C	L	L	L	L	L	L	L
14	B	B	L	L	L	L	L	L	L	L
15	B	B	L	L	L	L	L	L	L	L
16	B	C	L	L	L	L	L	L	L	L
17	C	C	L	L	L	L	L	L	L	L
18	C	C	L	L	L	L	L	L	L	L
19	C	C	L	L	L	L	L	L	L	L
20	C	L	L	L	L	L	L	L	L	L
21	C	L	L	L	L	L	L	L	L	L
22	C	L	L	L	L	L	L	L	L	L
23	C	L	L	L	L	L	L	L	L	L
24	C	L	L	L	L	L	L	L	L	L

- 189 Associates
- 100 Laterals (53%)
- \$5.3 Million per year for laterals
- 373,205 hours
- \$168 Million in revenues

Key Metrics for solving Systemic Problem



Improved Composition of LDJ Associates

Associates	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	A	A	A	A	A	A	A	A	A	A
2	A	A	A	A	A	A	A	A	A	A
3	A	A	A	A	A	A	A	A	A	A
4	A	A	A	A	A	A	A	A	A	A
5	A	A	A	A	A	A	A	A	A	B
6	A	A	A	A	A	A	A	B	B	B
7	A	A	A	A	A	A	B	B	B	B
8	A	A	A	A	B	B	B	B	B	L
9	A	A	A	B	B	B	B	B	L	L
10	A	A	B	B	B	B	B	L	L	L
11	B	B	B	B	B	B	B	L	L	L
12	B	B	B	B	B	B	L	L	L	
13	B	B	B	B	B	L	L	L		
14	B	B	B	B	L	L	L			
15	B	B	B	L	L	L	L			
16	B	B	B	L	L	L				
17	B	B	B	L	L	L				
18	B	B	C	L	L					
19	B	B	L	L						
20	B	C	L	L						
21	C	C	L							
22	C	L								
23	C	L								
24	C	L								

- 175 Associates
- 4.9 avg tenure
- 38 Laterals (22%)
- \$1.2 Million per year for laterals
- 379,781 hours
- \$171 Million in revenues

Selection issue

Type of Hiring	Per Hire	To get one A or B Player
Entry Level	\$172,479	\$258,719
Lateral Associate	\$202,614	\$405,228

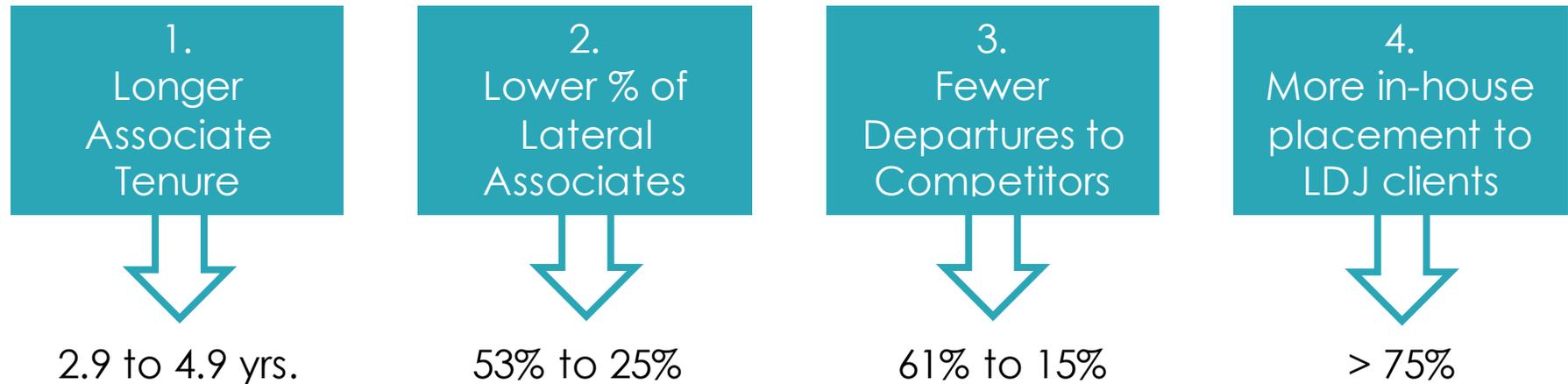
Retention issue

Top Left is Best Option: High accuracy entry-level hiring with strong retention

Bottom Right is Worst Option: Low accuracy lateral associate hiring with poor retention

4.
Present a
\$\$-based solution

Key Metrics for solving Systemic Problem



Comparison of old and new

	Current System	System	Difference
Avg. tenure	2.9 yrs	4.9 yrs	+ 2 yrs
Lateral costs	\$5.3 million	\$1.2 million	\$4.1 million
Associates	189	175	- 14 associates (\$3.5 M)
Hours	373,000 hours	380,000 hours	7,000 hours (\$2.4 M)
		Total benefit:	\$10.0 million

5.

What are
we asking for?

More Accurate
Selection

PREDICTORS	VALIDITY	HIT RATE
PERFECT PREDICTION SCHEME	1.00	100%
JOB TRYOUTS	.44	72%
BIOGRAPHICAL INVENTORIES (<i>Moneyball</i>)	.37	69%
STRUCTURED BOARD INTERVIEWS	.35	68%
REFERENCE CHECKS	.26	63%
JOB-RELATED EXPERIENCE	.18	59%
ONE-ON-ONE INTERVIEWS	.14	57%
RATINGS OF TRAINING	.13	57%
YEARS OF EDUCATION	.10	55%
INTERESTS (PREFERENCES)	.10	55%
RANDOM SELECTION SCHEME	.00	50%

Source: Hunter & Schmidt, The Validity and Utility of Selection Methods in Personnel Psychology: Practical and Theoretical Implications of 85 Years of Research Findings, Psychological Bulletin Vol 124, No. 2 (1998) 262-274.

Example: Teamwork Scorecard

Teamwork:

Demonstrates strong ability to work with others; enjoys collaborating with colleagues on cases/matters; when appropriate, knows what and when to delegate to junior attorneys or staff and knows how to supervise completion of the task without micromanaging; is easy to work with and for and is skilled at getting people to work well together.

Demonstrated Behaviors:

- Has a working knowledge of team dynamics and understands his/her role and the role of others within the specific team, as well as the inevitability of some conflict within teams.
- Handles conflict reasonably well without being overly submissive or becoming intractable.
- Addresses interpersonal conflicts directly but with tactfulness and respect.
- Offers solutions to problems and shares insightful approaches or alternatives to projects tasks.

1	2	3	4	5	6	7	8	9
Below Average			Average			Above Average		

What's the impact?

(example based on 10 hires)

Unstructured Interview

A Player

A Player

A Player

B Player

B Player

B Player

B Player

C Player

C Player

C Player

Structured Board Interview

A Player

A Player

A Player

A Player

A Player

B Player

B Player

B Player

B Player

C Player

What is Relative Value of A Player vs. C Player?

Answer provided in Hours and AmLaw Midlevel Survey Scores

Statistical controls for:

- Law firm
- Geographic location
- Practice Area
- Year

SEPTEMBER
2012

Talent Analytics White Paper: Evidence-Based Strategies for Retaining High-Performing Midlevel Associates

Researchers
& Authors

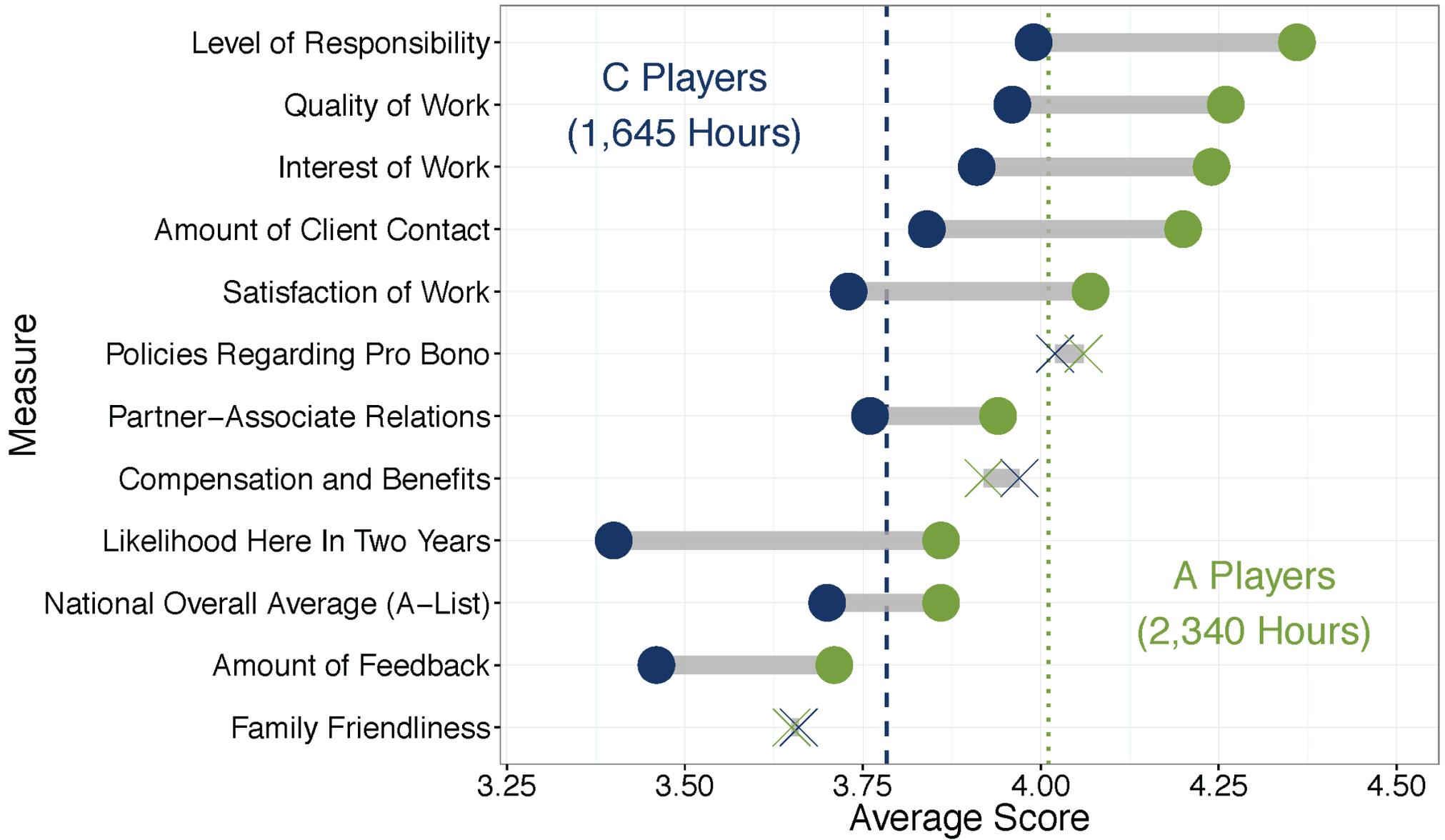
William D. Henderson
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Pennsylvania State University
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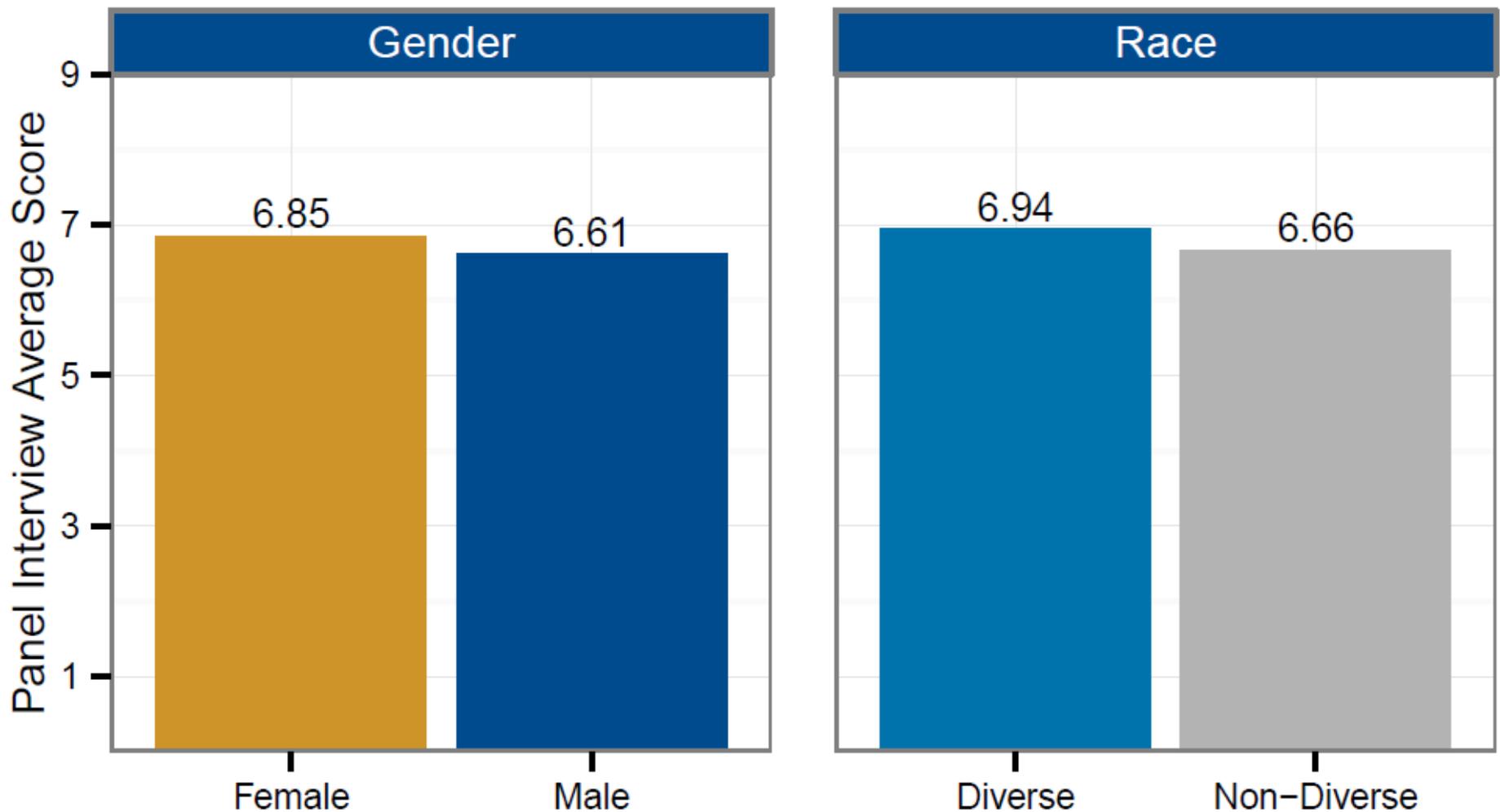
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Zero Performance Gap Based on Race and Gender



(n = 350 candidates, 2011-13 recruiting seasons combined)

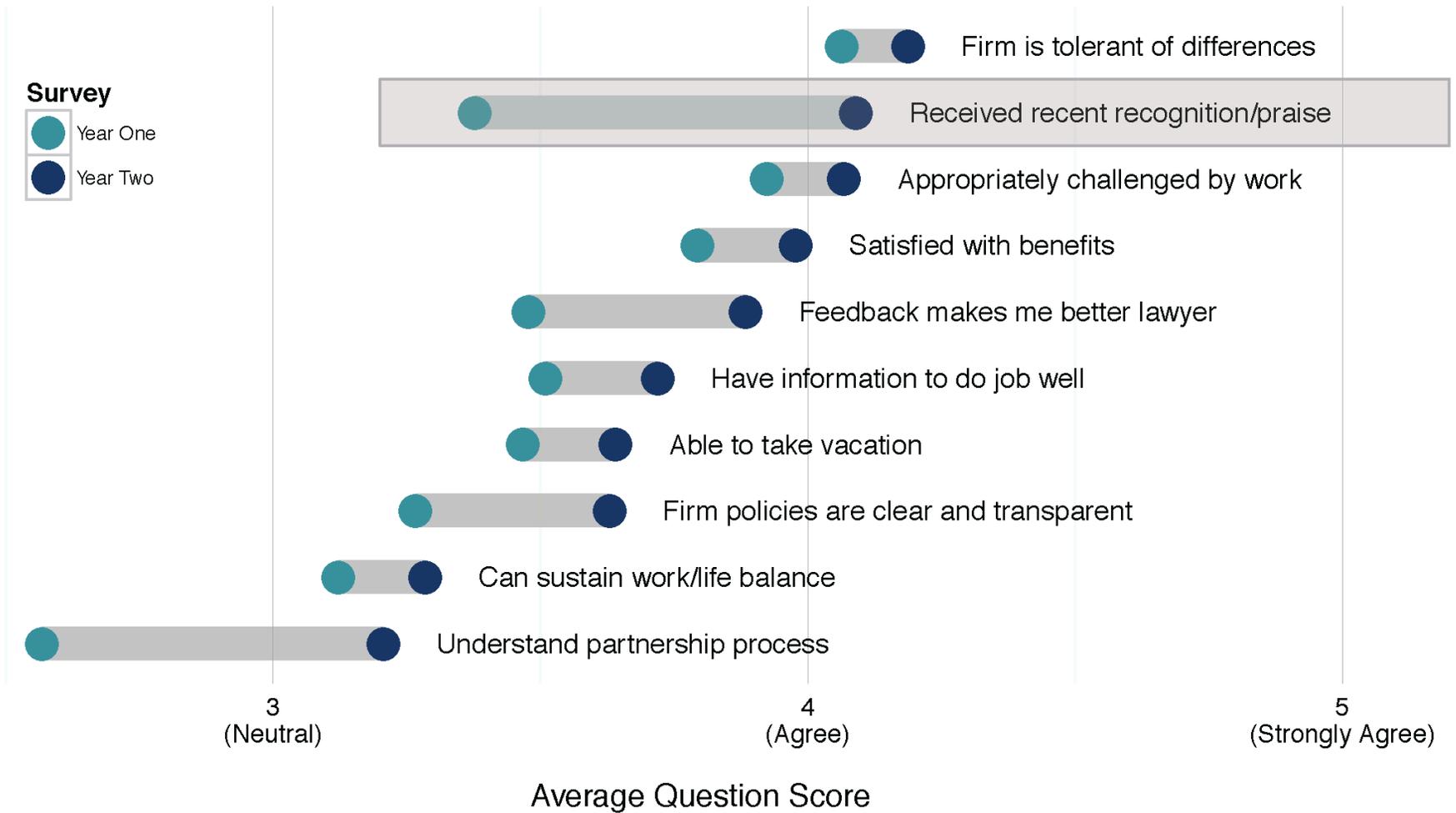
More Selective

Higher Yield



Better Retention

Data to Monitor Associate Perceptions



Thank You