

The Partnership Matrix

Do you want the red pill or the blue pill? The red pill answers the question, “what is the partnership matrix?” The blue pill allows for life to continue as it is. If you choose the red pill, keep reading. If you choose the blue pill, stop here.

The partnership matrix is the false belief that life becomes easier, better or more secure after becoming a partner in a law firm.¹ Too many young lawyers fall into the partnership matrix with no real idea what they are pursuing or how to get there.

But many young lawyers realize that life is actually more difficult after partnership - with more stress, added responsibility and greater time commitment. Pursuing partnership has been described as a pie eating contest where the first prize is all the pie you can eat.²

Let’s look at a few of the illusions young attorneys have about being a partner:

“Being a partner provides security”

Certainly, being a partner offers some security. However, if a partner does not generate clients or bill the requisite number of hours or meet some other firm requirement, the partner can be expelled from the firm or demoted within the firm, the same as an associate. Once you become a partner, you still have to meet firm standards. Just as with an associate, a partner’s security lies in the work the partner does, not on status within the firm. In fact, if you think about it, partners have less security than associates in at least one respect. Partners are not only liable for their own acts but also for the acts of anyone under their direct supervision or control.³

“Partners make more money”

Partners make more money than associates in law firms.⁴ However, if you are a financially successful partner in a law firm, you may make more money on your own in solo practice. The reason: if you work with several other partners, you could be subsidizing some of them. You may also be paying for office overhead and expenses that you don’t need or want.

“Partners have more freedom and control”

If you are THE partner in a firm or in the “control group” of partners, you will definitely have more freedom within the firm and control over the firm. If not, you

may answer to someone else even if you are a partner. Bear in mind that many firms are creating two-tiered partnerships with equity partners and income partners. In other words, you may make “partner” (i.e., income partner) and have absolutely no equity ownership (or control) of the firm. Even if you eventually become an equity partner, you may find that you own such a small percentage that you have little, if any, real voice in firm matters.

Despite all of the above, there are benefits to becoming a partner in a law firm. Partnership sounds appealing if there is an offer of true equity ownership, if all the partners have relatively equal say in the operations of the firm, if the purchase price for partnership is not too great, if there is sharing of agreed-upon expenses, if there is financial protection in the event of retirement, death and disability, if there is good legal support and if there is a reasonable work environment within the firm.

As young lawyers, we work in law firms that demand long hours from us, for years of our lives. In exchange, we receive legal training, salaries and the hope that someday we will become a partner. Unfortunately, few of us actually know what that means. We zealously represent our clients, yet we fail to represent ourselves.

Here are some tough questions to ask yourself and to consider asking your supervising attorney:

- How long does it take to become a partner?
- What exactly are the requirements for becoming a partner?
- How many associates are slotted for one partner’s position?
- How much turnover is at the partnership level?
- How many levels of partnership exist in the firm and what are they?
- How much does it cost to become a partner?
- How is the firm owned?
- How much of the firm will I own if I become a partner?
- If I become a partner, what happens if I become disabled or die or if I decide to leave?
- What new expectations will arise if I become a partner?
- How will becoming a partner affect the balance in my life?

Be conscious of what career path you truly want to follow. Be conscious of what career path you are currently on. I imagine it would be helpful to know if those paths diverge. Wouldn’t you agree?

Tim Batdorf is a lawyer coach/consultant who inspires young lawyers to play a bigger game. Tim will be conducting a free teleconference discussion regarding the partnership matrix. If you are interested in participating in the teleconference, contact Tim by e-mail at timbatdorf@comcast.net.

Endnotes

¹ In this article, I use the term “partner” loosely. It includes a member in a professional limited liability company or a shareholder in a professional corporation.

² NALP Foundation for Research and Education: *Keeping the Keepers: Strategies for Associate Retention in Times of Attrition* 106 (Jan 1998) [Keeping the Keepers Report].

³ See, for example, Section 6 of the Professional Service Corporation Act or Section 905 of the Michigan Limited Liability Company Act.

⁴ While this statement is generally true, some partners actually make less money when they initially become partner because they become liable for self-employment tax.