



September 9, 2005

SEARCH Newswire Content

News & More:

Today's News

Focus On:

- Supreme Court Monitor
- Law Students
- LawJobs

Legal Blogs:

- Legal Blog Watch
- May It Please The Court
- Adam Smith, Esq
- I/P Updates
- My Shingle
- Jottings By An Employers Lawyer
- Crime & Federalism
- The Common Scold
- Robert Ambrogio's LawSites
- Law Department Management
- Excited Utterances
- Prism Legal
- InhouseBlog
- The Wired GC

Other Resources:

- Online CLE
- Law Firm Central

martindale.com
Lawyer Locator

Last name

First name

State/Province

SEARCH

Martindale-Hubbell's Lawyer Locator

Enter the **HP Legal Technology Awards** to win a technology makeover worth up to \$10,000 for your firm. **» Enter to win**

COMMENTARY

Remember, It's a Business

Law schools should provide an elective course on the business of law. And law students should take it

Jon Escher
The Recorder
07-26-2002



image: Photodisc

"Don't worry about the business stuff, just focus on becoming a good lawyer." That was the advice I received as a young associate starting out in a law firm more than 20 years ago.

It is still the advice firms give to associates as they start their careers, or perhaps more accurately, as they wait to start their careers -- either because business conditions have forced firms to delay associate start dates or retract offers altogether.

It was bad advice 20 years ago. It is even worse advice today.

Over the past 10 years, I have interviewed hundreds of junior-, mid- and senior-level associates. The vast majority of these lawyers (particularly the junior ones) have an extremely limited understanding of the fundamental business dynamics of practicing law.

What is it that they don't know? Many of them don't know at what hourly rate their time is billed out to clients. They don't know what realization rates are. They don't know how much associate time is typically written off by the firms. They don't know how much it costs a firm to cover their overhead. They don't know how many hours they must bill before the firm breaks even on their time. They don't know which practice groups are more profitable than others or why. And, of course, they are usually completely ignorant about how firms distribute profits to partners.

This is just the tip of the iceberg. Marketing, practice development, information technology, administration, strategic vision -- all are fundamental business concerns of a law firm that rarely trouble the mind of an associate.

It is true that the more senior the associate, the less the ignorance. Even so, many senior associates have only a vague understanding of the business fundamentals of the practice, and many of them have confided to me that they wished they had a better understanding of these

Printer-friendly version	Comment on this article	Reprints & Permissions
--------------------------	-------------------------	------------------------

IN-HOUSE COUNSEL
from **LAW.COM**

[Ads by Google](#)

fundamentals when they began their careers.

[Legal Service Plans](#)

Affordable legal advice & services are just a phone call away!

www.prepaidlegal.com

[Adobe Output Solutions](#)

Integrated, Document Solutions Print, Fax, Email, Web & Archive.

www.redstartec.com

[Legal Issues?](#)

\$1 a day can Solve any Legal issue! Call Free 888 558-0968 Now.

www.anetra.officialinfo.net

WHERE'S THE EDUCATION?

Unfortunately, no one teaches young lawyers about the business of practicing law. Very few law schools provide courses on the subject, partly because it is not a sufficiently academic course of study (it doesn't teach you "how to think like a lawyer"), nor does it fit neatly into the "how to be a lawyer" clinical programs that the law schools provide. In short, it is an orphan subject. This should change.

Law schools should provide an elective course on the business fundamentals of practicing law. And law students should elect to take it. If they do, the law students will realize two significant benefits: They will be more effective associates in the firms they join out of law school, and they will be in a much better position to evaluate the opportunities that other law firms offer when they contemplate making a lateral move (as they probably will) after they have gained a few years of experience.

How will an understanding of business fundamentals make associates more effective? The simple answer is it will make them more efficient. Associates who are aware of the business fundamentals and concerned about providing value to clients will do a better job of managing their time on the matters that they work on and will do a better job of beginning to establish business development habits of their own.

Law firm partners may be uneasy about this. They don't want young lawyers making independent trade-offs of their time based on their notion of efficiency or client development. Partners want to delegate the project and get the right legal answer, whatever it takes. This is an understandable concern. But there are ways to address this short of asking associates to work in a professional vacuum, as if business factors do not exist. This is particularly true in the current climate when an associate's very livelihood hinges on the business conditions affecting the firm as a whole.

There is no doubt that associates who have not managed their time efficiently during their tenure with the firm are more susceptible to layoffs. It is not fair to tell associates that they should practice as if efficiency is no object and then lay them off a year or two later for failing to practice in a manner that is sufficiently profitable for the firm.

The firms will realize a benefit, as well. Associates who are better informed about the business of practicing law will have more realistic expectations concerning how they will be treated by the partnership. This will significantly improve associate morale and also improve the lines of communication between the partnership and its associate ranks, particularly when it comes to questions of associate compensation.

In unguarded moments, many partners will bitterly complain about how associates project an attitude of "entitlement" when it comes to the way they expect to be treated by the firm. Business-savvy associates don't as readily carry this baggage.

The second benefit to associates of learning about the business of practicing law is that it will help them make vastly better-informed career decisions. This starts early in the law school phase of their career.

CHOOSING A PRACTICE AREA

Most law students do not have a particular passion about the type of law they wish to practice. They need to get out in the world and sample various practice areas. Is it so unreasonable to inform them of certain business factors that might influence their decision? For example, shouldn't they know that securities litigation is a heavily leveraged and very profitable practice area when compared to, let's say, trademark, estate planning or employee benefits? Ditto for mergers and acquisitions when compared to insurance coverage, most types of real estate, or even tax.

Shouldn't they know that some practice areas are more cyclical than others and might make them more vulnerable during an economic downturn if they were to join such a practice? I would never counsel a law student, or a young associate, to make a practice-area choice based solely on business considerations. But it is irresponsible to allow them to complete a legal education without an understanding of these considerations.

A solid grounding in the business end of practicing law will also help associates evaluate other law firm opportunities when they make a lateral move later in their careers. Associates will be able to analyze a firm and make an informed judgment about the firm's financial health without having access to detailed financial information, which, of course, would never be provided to them.

A business grounding will also help the associate evaluate the firm's strategic position in the marketplace and inform the judgment about whether the firm has good growth potential and whether it will provide a solid platform for developing a book of business. Such an analysis will help the associates and the law firms avoid the costly mismatches and high attrition rates that gnaw at the profession.

I understand that there are many people who believe that the last thing the legal profession needs is an academic acknowledgement that the practice of law is a business. But, I remain convinced that many of the professional attributes of practicing law can co-exist with the business principles that seem to currently overwhelm it. I am also convinced that a course on the Business of Practicing Law could also carry some academic heft and be structured in a way to really grab the attention of students.

This need not be a bitter pill for law schools to swallow -- their graduates will thank them for it.

Jon Escher is the co-founder of Solutus Legal Search. His e-mail address is jon@solutuslegal.com.

• [About ALM](#)

• [About law.com](#)

• [Privacy Policy](#)

• [Terms & Conditions](#)

Copyright 2005 ALM Properties, Inc. All rights reserved.