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LawBiz® TIPS – Week of April 17, 2012

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Just returned from Anza Borrego and Borrego Springs in Southern California. After a heavy rain, the desert turned warm and gorgeous. It's a great time of year to be in a luxury RV park (now this is camping!) with a warm sun during the day and a cool evening to watch the stars. Even went on a short bike ride while my wife took a jeep ride to learn more about the desert.

Now I'm back focusing on our LawBiz® Practice Management Institute that will start on Friday. This is the last call for the few remaining seats. **CALL NOW** [to enroll](#). You will glad you did.

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## Associate Misery, the Latest Chapter

### The Disappearance of Spring Bonuses

In a recent column we discussed the plight of associates at larger law firms, where the ranks of entry level lawyers have shrunk by as much as half since 2008 while compensation has remained flat. I had the chance to weigh in on another chapter of this associate misery when a reporter recently interviewed me on the disappearing phenomenon of associate spring bonuses. Traditionally, spring bonuses, coming just months after law firms give out any year-end bonuses, have been a means of giving extra pay in order to retain associate talent that might otherwise be looking for new opportunities. The rub is that, today, such opportunities are rare at best. As a result, some of the largest Wall Street firms that typically have paid spring bonuses, have yet to do so - including one major firm that publicly announced earlier that it would pay one. The natural conclusion is that these firms are not worried about associates looking for greener pastures.

### Talent Should be Rewarded

My comment to the reporter was to the effect that talent should be rewarded for the contributions they are making. Certainly if associates are making a significant contribution to their firms and feel that they are not

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being appropriately compensated, they have the right to look elsewhere. The law firm world of the past, where few options were available at other firms and there was a stigma attached to trying to take advantage of them, has changed in that regard.

#### Making Contributions

However, the key point for bonuses, in particular, is making contributions. Fundamentally, a bonus should be a reward for exceptional performance in a defined period of time. The performance should meet specific criteria, and satisfying those criteria in one time period should create no guarantee of receiving a bonus in a subsequent period. Analytical thinking and clear communication about the criteria for receiving a bonus are essential.

#### Looking at the Complete Revenue Picture

Associates who receive bonuses tend to expect what was. This virtually makes the bonus become like a built-in salary. In addition, associates tend to focus only on the big picture - revenue - and forget to take into account bottom line items like collections and overhead expense. More importantly, they tend to forget that they are part of that overhead, and must either bring in more revenue or have their services priced appropriately to cover their costs.

#### Revenues and Profitability

Revenues and profitability at major law firms have improved from the depths of the recession, but no firm can say they are out of the woods yet. Certainly, so far as associates are concerned, conditions have not yet improved enough to expect additional compensation just because the tulips are in bloom. That may not be pleasant – but it is "The Business of Law.®"

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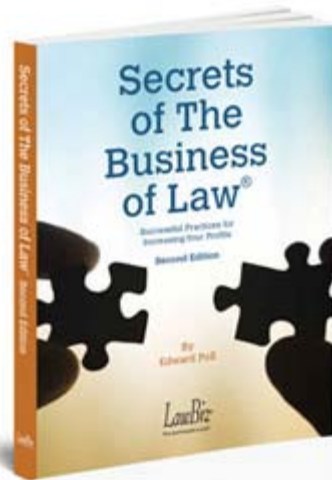
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