Case Study: Climb the Legal Ladder

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Abstract

The aim of this paper is to present a broad analysis of case “Your Turn, Climb the Legal Ladder” in the book “Compensation”, written by George Milkovich. In this case, the author addresses significant compensation problems and pay trends in existing aw firms. It described the pay scale, starting salaries, billable hours, performance bonuses and billing rates of Sullivan & Cromwell. Also, the relation of failure and pay trend of Dewey and LeBeouf is discussed. It highlights the fact that the revenue should be allocated evenly in the whole pay structure and thus it seemed unjust to increase salaries of associates at all levels.

Keywords: Compensation, Law firms  
  
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The author of the book, George T. for more than 30 years, Milkovich has been researching and writing about pay trends, factors that effect it and how it affects everyone around. He has received four national awards for his publications.

# Case Analysis

This case primarily focused on pay structures and how it is affected by the hierarchy of an organization. The position within an organization is perceived as an incentives for working in that organization. It discussed that the salary distribution at the Sullivan & Cromwell is not uniform. The higher positions avail the raise while the salaries of new employees are the same as it was few years ago. The base salary was increased by 10.34% but afterward the increase was not maintained. The failure of Dewey and Leboeuf was the result of their greed to expand the law firm by attracting a greater number of highly skilled employees (“The Economist,” 2012)

To attract them, the firm announced higher salaries, multiyear packages and many such benefits. Dewey and Leboeuf was one of the leading law firms of America. But when the business suffered loss, they were not able to give incentives as they promised before. This led to lack of interest in employees and they went to other law firms to seek more opportunities. In result, Dewey and Leboeuf faced more problems and went bankrupt. Better chance to grow and high incomes always attract people. They join to get the benefit only and are not loyal to the company. So, in case of loss to company, they only seek their own benefit and move towards better chances.

Stracher C. commented about S&C in The Wall Street Journal about greater benefits and compensation. He mentioned that high salaries create a stressful environment for the new employees who are already new to the environment and had to compete.It effects their work-life balance and they are able to do well.(Cameron Stracher, 2006)

As it is obvious that S&C employee are getting bonuses for their efforts, but this could result in dissatisfaction for employees if the company has to face loss in future.

**Answers**

1. When Sullivan & Cromwell’s pay structure is observed, it seems fascinating initially and any law student would dream to join S&C after graduation. But when they compare their income to the packages offered by other law firms they will realize that their pay is lesser than their associates. They may start looking for a job at other law firms. Also, when the bonuses are declined, they may start to think that company is facing financial problems.
2. The associates who joined the firm fours years back, earn base salary of $210,000 and additional bonus $45,000. If there is a rise in salaries of new associates, other employees at different levels of hierarchy should also get a raise. The income of senior associates should also increase too. The pay ratio should be fair and maintained to encourage new associates with an experience of 1 to 4 years. This will prevent the turnover and eventually the loss to company due to losing clients.
3. Partners of a law firm are employees who have stayed with the company for a long time and now have become stakeholders. Over the time spent at the firm, and dealing with major cases, they are more familiar with proceedings and have built connections as well as terms with the long-term clients. In conclusion, there is a stronger bond between the partners and clients than the clients and firm itself. So, at times, when an associate makes a mistake, the partners should handle the situation because they can evidently do it better. Because they are of great benefit to company and its reputation, they received more incentives, better treatment by firm and high status. The offer to become partners, from company to employees, does not negatively affect the firm, because it is profitable to the firm when there are more clients.
4. The law firm can grant bonuses to its employees in regard of handling challenging matters, rewards and recognition to motivate them to do better. The bonuses should be according to number of cases won, billable hours and efforts to strengthen the firm. The reduction in bonuses highly demotivates the employees. They tend to interpret it as their devaluation and do not put maximum effort. This will negatively impact the company’s image and revenue. Completing 2200 billable hours is highly burdensome for fresh employees. If there is no other option than reducing the bonuses, the deduction should be minimum. The reduction in bonuses gives an impression that law firm is not doing well. In next recruitment, people may feel reluctant to join the law form.
5. Dewey and Leboeuf used higher incomes and multiyear packages as bait to attract a maximum number of employees. The offers made by Dewey and Leboeuf seemed attractive for any employee. The Dewey and Leboeuf faced a disadvantage that at time of company performance decline, they were not able to keep promises of high salaries and benefits as they first announced. However, in case of S&C, they payed their employee on the basis of how well they performed. It motivated the employees to work harder and benefit the company. But the disadvantage of it was in case of slow progress, the firm would have to reduce the bonuses, even if the employees are working hard to earn more benefits.

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