

Stepping out of the shadows

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Though many European practices now have salaried partners, the role is fraught with ambivalence. It suffers from an unshakeable stigma – to the extent that some law firms are openly hostile to the idea, while others prefer to keep such staff members in the shadows by giving them alternative titles.

It is undeniable that salaried partners can represent a risk to the firm brand and a strategy for their long-term career path is often painful to negotiate; yet many practices are finding that there is still a pressing need for a position which bridges the gap between senior associate and full firm ownership.

So, should salaried partners hold their heads up high and step out of the shade? RICHARD TROMANS examines widely differing attitudes across Europe and TONY WILLIAMS gives practical advice on how firms can best utilise non-equity partners

In a perfect world there would be only associates and equity partners. Unfortunately, as most law firm managers know to their cost, the world is not so perfect. In today's rapidly growing market for legal services, there is a strong and compelling need to create a position that fills the awkward gap between full equity partners and senior associates. That hole has been plugged in recent years by the role of salaried partner: a somewhat oxymoronic idea that uneasily combines a partner's status with the fixed and far lower remuneration of an associate on a wage.

Despite the growing trend toward such roles, many firms would prefer to avoid introducing them. An extreme example is top Dutch firm NautaDutilh, which is in the process of scrapping the system completely (see box on page 34). Others, such as global giant Freshfields Bruckhaus Deringer have desperately tried to evade a two-tier partner system but now, after years of internal debate, seem to be heading in that direction.

The perception in the market persists that introducing a level of salaried partnership is still tainted with negativity. To some observers, a salaried partner may be little more than an overpaid associate; to others they are an annoying misfit that should never exist in an elite firm. But with the current upsurge in cross-border deals, firms are being forced to re-evaluate their stance on the non-equity partner to accommodate the need for additional capacity. Sacking someone with great legal skills and many years of experience, but low client-winning potential, makes no sense in a climate where clients are continuously knocking on the door.

Yet, this solution is beset by problems. Near the top of the worry-list for any group of equity partners is the question: what is it going to cost us if we allow salaried partners? The answer according to a number of continental firms is a starting wage of around €120,000 and upwards per salaried partner. In Germany or France this would be considered a healthy sum, especially since it is guaranteed. But perhaps the more pressing question partnerships are now facing is: what will it

cost to bring these lawyers into the equity? The answer inevitably is: a lot more.

Although no firm interviewed went as far as to say that only money mattered as a promotion factor, almost everyone stressed the need for equity partners to be “entrepreneurial” and “business generators”. ‘Real’ partners had to go to client parties, drum up new work and get noticed in their sector. The feeling, unsurprisingly, was there is no room in the equity for bookworms and stuffy legal experts without charisma. Of course, firms have added that being an excellent lawyer is expected too, but that is seen as a minimum. Per Magnusson of the Stockholm-based Magnusson Law Firm explains: “To be in the equity means that you meet the standards of a good business person – that you take responsibility as a leader for the business.”

One cannot blame a firm for this approach. After all, a law firm is a business. Or, as human resources partner Robert Wethmar of Taylor Wessing in Germany says: “We are not a public service here.” International player Gide Loyrette Nouel boss Gérard Tavernier stresses that today access to the equity is extremely tight. He says that even after the firm’s internal committees have recommended a well-respected associate as an equity candidate, nothing is guaranteed:

“The decision to make someone an equity partner needs a 75 per cent majority of the partners, which is a very difficult thing to achieve.” Gide may have well over 500 lawyers and 18 offices around the world, but in fact there are only 95 equity partners. This gives a sense of just how careful the firm is about promotion. It is a similar story, varying a little by overall leverage, across the whole of Europe.

At Gide and other firms which still don’t have a regular salaried partner role, in all but the most rare of circumstances, the future for a senior associate that does not make equity partner is to leave. Most firms said they hoped that the lawyer who had not made partner would be able to join the in-house legal team of a client. Failing that, the senior associate is at the mercy of the local recruitment market, and

the dreaded question: “So, why did you choose to leave your firm?”

At face value this seems a little cruel. But the equity partners we interviewed stressed that the pressure on them to be more efficient is also strong. Pierre Sébastien Thill of CMS Bureau Francis Lefebvre says there is a noticeable change among clients that means partners must offer increasingly valuable legal advice: “Selection of equity partners is becoming tougher as clients are more demanding today and generating revenue is getting more difficult. For the same fees as in the past we now need to work harder. Companies have changed and so has the knowledge of their in-house lawyers, which means there is more need for value-added services.”

In such a market there is little room for sympathy and within the elite equity partner club, no room for those that cannot pull their weight. However, just sacking people is not always the best way to deal with those who cannot get in. Testament to this can be seen by Freshfields’ recent move to adopt salaried partners after decades of priding itself on having one of the best undiluted partnerships in Europe. It is a touchy subject for the firm, which did not want to talk about it. However, in a statement to *the European Lawyer*, Freshfields said: “Discussions are at a very early stage. We are looking at the subject from many directions, but generally feel there is a need for flexibility to enable us to deliver the range of services desired by our clients across a wide range of geographic locations.” In other words the firm has realised that it simply cannot operate all over the world using its London-centric equity criteria as the only model. It has to either make it easier to join the equity, which is highly unlikely, or create a second level of partners. Last year’s de-equitisation of some partners in its Paris office was perhaps the final proof that not everyone the practice wanted to keep could actually cut it as an equity partner.

Once the decision has been taken to develop a tier of salaried partners, a firm is faced with the resulting issue of how long those partners will remain so: will this be a

permanent role or a stepping stone to full ownership? On this, the market is split down the middle. Dr Hoimar von Ditfurth of leading German firm Gleiss Lutz says: “We have a two-step system, but all salaried partners are on track to become an equity partner.” He explains that they receive internal classes on how to develop as an entrepreneurial lawyer and, after two years, they are either voted up into the equity or they are out. “It’s quite fast,” he admits. The firm also has a very rapid run-up to the equity of only five years: three years as an associate, two as a salaried partner and that is it. Dr von Ditfurth says this is because, like most German law firms, Gleiss Lutz’s associates do not start until around 30 years of age and expect to make partner quickly. However, he stresses that there is no room for salaried partners beyond two years. Some may say this is tough, but he says: “It is a fair system because the associates can rely on the timing.” Of course, some associates might feel this ‘up or out’ conveyor belt is a little too fast even if it is efficient. Currently the firm has around 15 salaried partners, but it is clear not all will still be with the firm in two years’ time.

While this method may appear a bit extreme the other end of the spectrum is allowing salaried partners to stay in this position for life, thus forming a true second group of partners. Mr Magnusson in Stockholm is an advocate of this approach: “Salaried partner is an alternative career path. It is also a much more human way of dealing with associates, rather than ‘up or out’. I think that law firms have to look at alternatives to the rigid career paths.” He says that although a salaried partner at his firm could become an equity partner there is no reason why they should not carry on in a fixed share role. Nor does he view such partners as second-class citizens or see it as an easy position to obtain. “Even with salaried partners we’re very careful because they will be representatives of the firm,” says Mr Magnusson. His key point is that there are some lawyers who are not “interested in generating income but who just do great work for clients”.

Despite strenuous recruitment requirements and cherry picking of the best law graduates many associates turn out to be badly suited to business generation

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These practitioners are valuable to the firm and should be kept, not thrown out. Such a sentiment will certainly win him some fans as his views do appear to mirror the current reality.

In fact, a lot of firms interviewed admitted that despite their strenuous recruitment requirements and cherry picking of the best law graduates, a lot of associates turn out to be badly suited to business generation. One equity partner at a Dutch firm admits that some lawyers are “fairly hopeless” at being able to generate business.

Another common reason given for keeping lawyers despite a lack of ability to generate income on their own is super-

specialisation. José María Segovia of top Spanish outfit Uría Menéndez says that although the firm is strongly opposed to having salaried partners it does allow associates to stay on for up to five years beyond the normal stay in certain cases: “Although we are ‘up or out’, we have three or four exceptions where associates stay to handle areas such as zoning law, offshore tax issues or derivatives transactions.” These lines of work demand a very high level of technical skill, bordering on the mathematical, and despite being essential to the firm’s general practice the senior associates who are expert in these fields could not generate enough income from them to be in the equity. However, Mr

Segovia’s firm is not in the habit of giving people an easy ride. He says after a few years these “exceptions” would still have to leave and younger replacements that might one day become equity partners would be hired instead.

Aside from the use of ‘of counsel’ roles for elderly partners, or senior lawyers who are part-time professors, the final area of non-equity partners that occurs most frequently in Europe is that of local or national partner. Interestingly, even firms like Gide that refuse to have salaried partners in the home jurisdiction of France use a significant number of ‘local partners’ abroad. Of course, some may say that a local partner is a salaried

The picture across Europe

Salaried partners have often been associated with US firms. Raymond Batla, managing partner of Hogan & Hartson’s international offices, says most American outfits tend to have the category of salaried partner, but their roles and responsibilities vary between firms: “In our practice for example we call them ‘special partners’, with equity partners referred to as ‘general partners’. In most cases special partners tend to move up to the equity partnership, provided they have demonstrated the applicable skills.” Fred Gander, a London-based partner with Dewey Ballantine, confirms that salaried partners are common: “Overall, globally, we have 25 partners whose salaries are partially fixed. There has been consistent promotion into and from these roles over the past few years – indicating that they are beneficial to those firms willing

to look beyond the pure equity structure.” Indeed, rival US firm Paul Hastings Janofsky & Walker has just introduced such a role, partly because of pressure to follow peers (see main story).

Apart from the US there is no other country with which the term salaried partner is more associated than England. However, the irony is that for many UK firms their use has primarily been outside of the country. Peter Gosden, a recruiter at London’s JD Legal, says: “UK firms have traditionally used salaried partners in order to integrate foreign firms.” This has been seen throughout Europe. However, he adds that the major global firms are increasingly looking at the role right across the board and even considering them for London. He points out it was Clifford Chance that pioneered these controversial partners in the UK around the year 2000 and that the position has been

used more and more as an intermediary step between associate and equity partner. Freshfields Bruckhaus Deringer says it is close to making wide use of them too. Mr Gosden explains that, like in other countries, lawyers desperately want the ‘partnership tag’ even if they are not equity partners. Offering non-equity partner titles therefore becomes an effective recruitment tool, while avoiding diluting the equity.

Next best known for salaried partners is Germany. This is partly because this is where UK and US firms had to integrate the most senior lawyers who, because of local fee rates, could not join the equity. However many other firms – especially those that have multi-disciplinary leanings such as Haarmann Hemmelrath & Partner and Beiten Burkhardt – seem to have developed salaried or local partners even before the Anglo-Saxons arrived. One

theory offered for this is that the whole idea was in fact developed by the former big five accountancy firms even before the US players began to utilise it. In Germany where MDPs have always been common, local firms learnt the method from the large accountants and used it among their own mix of tax advisers, lawyers and accountants. Today, there are still plenty of purely law-based firms, including the elite Hengeler Mueller, that offer senior associate positions that would correlate to that of a salaried partner.

In Poland too the role of salaried partner seems common. Andrzej Tokaj, managing partner of Magnusson’s Warsaw office, suggests: “There are many different segments of the legal market here and each firm has a different approach to remuneration, but the international outfits certainly seem to have either the

partner in all but name. Mr Tavernier says that Gide is 'up or out', but visit a foreign office and you will find partners that are not in the equity – to which he states that you have to be more flexible in foreign markets. This translates to saying that outside of the Paris, London or New York offices it is harder for the firm's lawyers to generate enough high-value business themselves to warrant becoming an equity partner. As Gide is a strict lockstep the firm has to be careful.

In fact, even Europe's most elite partnership, that of Slaughter and May, tolerates salaried partners when the firm opens foreign offices. Although its partners would not dream of allowing a

two-tier system in London, they are happy to develop one abroad, namely in their Hong Kong office where there are four salaried partners and – until the sell-off to Bredin Prat this year of its French law practice – there were another four. Slaughter and May's practice partner David Frank says the logic is that to become an equity partner you have to be personally known to the majority of the partners in London, which is hard to do if you are in Hong Kong. Salaried partners are considered as potential equity partners but, as yet, just not well-known enough to make the next step. Mr Frank says: "Becoming a partner is a decision for all the partners, so a lawyer needs the

relevant exposure. It is a cop-out to have salaried partners in London because all potential candidates there for the partnership are well known." Of course, an outsider may say this is just a clever way of avoiding admitting that the salaried partners do not generate enough business to join the equity. However, Mr Frank assures that this is not the case, adding that despite Slaughter and May's decision not to have salaried partners in London, for the reasons given, it still makes sense for the firm's foreign offices and that it is a "necessary evil".

While some leading firms have accepted the practical value of salaried partners, some equally quality outfits

position of senior associate or salaried partner." Mr Tokaj suggests the role is ideal for a lawyer who doesn't want to have the financial responsibilities of joining the equity, and can also be a good marketing and promotional device. Maciej Laczcuk, founding partner of Laczcuk & Wspólnicy, confirms salaried partners are widely used: "In our firm we have had salaried partners for some time." In contrast to the American firms, however, promotion from salaried to equity partner is far less assured. "There is no guarantee a salaried partner will make it into the equity – I would tend to say that they probably won't," says Mr Laczcuk.

Meanwhile, in the Netherlands and Belgium the practice is seen as fairly unusual, although some top firms such as NautaDutilh have them, even if they are phasing them out (see box on page 34). Stibbe's Olivier

Clevenbergh says: "UK concerns do it here because they don't want to share their equity, but among independents it depends on a firm-to-firm basis."

France and Italy are perhaps the two countries the most unlikely to have salaried partners among the independents. In the former nation it seems simply to have never caught on, perhaps partly due to the small size of most independents. However, one Italian insider suggested the reason is the Latin founder system whereby the majority of the equity and the best client links are held by the name partners of the firm. In such a model having a non-equity partner is pointless as the lesser equity partners already receive such a very low remuneration and their voice is ignored to the extent they are effectively salaried partners already.

In Spain it seems their use varies according to firm size.

Marta Gil de Biedma, a partner at Ventura Garcés & López-lbor Abogados in Madrid, says: "Whereas small to medium-sized practices tend not to have them, the larger concerns do have salaried partners." However this is not the case for all sizeable Spanish firms: Uria Menendez has no such role and partner Jose Maria Segovia says he believes the whole idea of salaried partners was only introduced into Spain when Clifford Chance opened in Madrid. Rafael Montejo Pérez, international partner of Legalia Abogados, says his firm too has steered clear of introducing the role: "We do not have salaried partners since we think that a real partner must feel himself an owner of the firm." He does however refute the idea that a salaried partner is viewed as having a lower status: "To me a partner of another firm is a partner regardless of the way his firm has decided to self-organise."

In some countries firms could not agree on whether salaried partners were common or not and many outfits refuse to publicise they have such positions – or give them names, such as 'managing associate', that obscure their true role. Swiss partner Nicolas Piérard of Borel & Barbey says: "To my knowledge it is not common at all. In Geneva, I know only one firm with salaried partners." But partner Heinz Schaerer of rival Swiss firm Homburger says the opposite: "There are many firms which have different types of partnership, including salaried and equity partners."

It is clear then that it will be a long time before European lawyers reach a consensus on the use of salaried partners at their firms. However, the general trend appears to be in their favour. ■

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“A salaried partner is a contradiction in terms. They are just associates with a business card that says ‘partner’.”

José María Segovia, Uría Menéndez

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continue to totally reject the idea. In fact, some are openly hostile to the term ‘salaried partner’, seeing it almost as a slur on the status of a ‘real partner’. Mr Segovia at Uría for example says: “A salaried partner is a contradiction in terms. They are just associates with a business card that says the word ‘partner’.” He adds that associates should not be “ashamed” to be associates and that salaried partners appear as if they are “pretending to be partners”. In damning conclusion he comments: “It is like deceiving the client.”

This opinion is not universal, but it is shared by enough firms to make salaried partners in Europe feel distinctly insecure about their status. One German lawyer at a major national firm who was once a salaried partner and is now a respected

equity partner remembers well the “inferiority” he experienced along with his peers. “No one wanted to concede they were a salaried partner because it was as if you were not a real partner,” he says bitterly. Some firms escape this problem by making sure there is no confusion between ‘real’ partners and the rest. Ferdinand Mason at independent Dutch player Boekel De Nerée says that at his firm those lawyers who would normally be called salaried partners are called ‘senior counsel’. He explains the position was only created three years ago, much for the same reason as other firms, but that unlike some practices they chose not to let such non-equity lawyers call themselves partners: “If you call someone a partner then there is a professional

liability issue. A partner is liable up to his equity stake in the firm.”

How a liability claim against a lawyer called a ‘salaried partner’ would in fact be different from a true equity partner is unclear and in this instance would depend heavily on Dutch law and interpretation of the word ‘partner’. However, Mr Mason’s firm decided to take no chances and does not want its salaried lawyers to be seen as holding the same legal responsibilities as an equity partner. Boekel De Nerée has also converted into a Dutch limited liability company, an NV. Top German firm Hengeler Mueller also has reservations about using the term ‘salaried partner’, although it too has recently created a position for senior associates that cannot make it into the

The salaried partner poser

Utilising this role is not without risks for law firms. Consultant TONY WILLIAMS gives practical guidelines to ensure effective long term results

In recent years firms have been making increasing use of salaried partner status either as an intermediate stage to equity partnership or as a permanent position in its own right.

The reasons for this are threefold:

- (i) The selection criteria for becoming an equity partner are more rigorous and hard-nosed than ever before. It is no longer acceptable for the advocates of a candidate to say that he or she is a good lawyer. High quality legal skills are essential but will rarely justify equity partnership of themselves. Firms now also require

good interpersonal skills, the ability to run and motivate teams of lawyers, to anticipate and respond effectively to clients’ needs and to build and develop new and lucrative client relationships. In the more profitable major firms it is increasingly necessary for an equity partner, within a few years of appointment, to be capable of running client relationships and teams of lawyers generating £2 million+ of fees. Very few senior associates are able to make the transition to that level of performance in one move and, even if

they are, firms are less willing to take the risk that they will not succeed.

- (ii) As the equity selection criteria have become stricter, salaried partner status has a two-fold effect. It enables the firm to promote promising lawyers to a credible status that encourages them to stay with the firm and with that status gives them an opportunity to show that they have the range of skills and energy level sufficient to justify admission to the equity. Accordingly the associate has an opportunity to prove his or her worth while the firm has the chance to see the level of performance as a salaried partner before allocating equity to the partner. This is particularly important in lockstep firms. In previous years a partner would be half-way up the equity before the firm realised its

mistake and addressed the issue: an expensive and disruptive process.

- (iii) Some firms need specialist skills in areas of importance to the firm’s offering as a whole. However these areas of practice, in isolation, may be insufficiently profitable to justify the appointment of further equity partners at that time. This may be a permanent position or, alternatively, it may only apply pending the orderly retirement of an equity partner whereupon the salaried partner can seamlessly step into the position of the retiring partner.

Although the reasons for using salaried partners are understandable their use is not without risk. If strict selection criteria are not applied firms can be rather too loose when awarding salaried partner status. After all they are “only salaried partners”. The danger

equity, but who have a special niche that is of use to the firm: they are called just 'counsel' and they can stay on like this "forever". However, the firm's spokesman was extremely keen to stress this does not mean Hengeler has "secondary partners". Of course to an outsider, a senior lawyer who has been at the firm for decades and become an integral part of the team, yet still has not been allowed to share profits from the equity, might be regarded as 'secondary' in all but name.

There is, it appears, a strong taboo at some legal practices in even admitting they have anything akin to a salaried partner. Linklaters is a classic example of a firm seemingly in denial. Although it has the usual title of 'associate', it also offers the role of 'senior associate' and also

'managing associate' in a number of foreign offices, such as Poland – while in its German practice it even has tax lawyers, which locally are a separate profession, listed as partners. On the Linklaters website such 'partners' have an asterisk attached to their name that leads to a statement at the bottom of the page that reads: "Status corresponding to that of a partner." However, when asked to explain the complex mix of non-equity partner positions a spokesman for the firm said: "People here do not feel comfortable commenting on it."

Luckily for senior associates not all law firms are so uncomfortable about the issue. In fact one US firm, Paul Hastings Janofsky & Walker, says that it has just introduced non-equity partners in order to

improve hiring. So for them, at least, it is nothing to be ashamed of. American partner Mark Eagan, who is based in London, says that the firm introduced 'local partners' last year in a bid to improve its chances of attracting new lateral talent: "It's apparent that our competition uses salaried partners liberally. Having a provision for local partners helps us with retention and also recruitment." He says the firm realised that some senior associate candidates for lateral hires were choosing to go to rival players just because they had the chance of immediately becoming a partner – albeit a 'salaried partner'. By offering a local partner position new hires can still tell family and friends they are a partner, but the firm does not have to dilute the equity.

with this is, firstly, if the partner is really not up to the standard of the equity partners, the firm gives a mixed message as to the ability of their partners. Firms do not distinguish in the market or to their clients as to whether partners have salaried or equity status. Secondly, if too many salaried partners are appointed, the prospect of equity partnership will be much reduced and the retention effect of salaried partnership will be much diminished. If salaried partners then leave, the market may not differentiate between salaried and equity partners and assume that an exodus of partners is a symptom of larger problems in the firm.

When the salaried partner status is used, great care needs to be taken with their career development and remuneration structure. Appropriate training, mentoring and honest appraisal is necessary to help them achieve equity status and to

avoid nasty shocks if they are unexpectedly rejected for equity status. Remuneration can be a very tricky issue. The income needs to reflect a significant uplift from associate status if the position is to be meaningful. However, in less profitable firms, the margin between senior associates and the lowest paid equity partner may be very small. Instances where salaried partners earn more than junior equity partners are likely to cause considerable angst especially if this persists for more than a couple of years. The equity partners are usually taking more financial risk, even in an LLP, and need to be rewarded accordingly. Equity partners usually contribute significant capital whereas salaried partners will usually contribute little or no capital.

In addition to the level of income, it is appropriate to structure the remuneration so that the salaried partner behaves like a partner rather

than purely as a silo, focused entirely on his or her advancement to equity status. Some firms apply a bonus scheme for salaried partners based on a range of factors including working with other practice groups and offices and developing clients etc. Other firms allocate shadow profit sharing units to salaried partners so that they get some benefit linked directly to the overall profitability of the firm. Inevitably the money available for salaried partner remuneration is limited and needs to be balanced between the income obtained as an associate and the lower ranks of the equity partnership. As a general rule of thumb, if a firm is paying a partner more than about 30 per cent of his or her responsible billings by way of salary and bonus, the firm is not getting a very good deal – (the precise percentage will depend upon the gearing used by the firm, the level of salaries, its cost base and its

charge-out rates).

Firms and salaried partners are still learning how effectively to operate a salaried partnership structure. Issues remain such as how to retain and motivate lawyers with real potential but to avoid raising false hopes or diluting the 'partner' brand as it applies to that firm. This process is continuing and best practice is emerging based on clear expectations, realistic objectives, honest appraisal and continual opportunities for personal development. Unfortunately salaried partnership is still too often seen as a short-term quick fix, which satisfies an associate's immediate aspirations but leaves both parties frustrated in the medium term. Only firms that consistently and effectively use salaried partnership either as a stepping stone to equity or as a clearly identified career of itself are likely to be able to make this status work over the medium term. ■

For some partners the ability to have their voice heard is on a par with the right to share the profits

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This is perhaps a sign of the times and presents a compelling case for European firms to get over their hang-ups about non-equity partners. Of course, there is a way of avoiding ever having to offer non-equity posts to senior lawyers aside from sacking people in an 'up or out' system. That is to have a merit-based equity partnership that allows a huge breadth in individual partner profitability. However, very few firms operate like this.

Perhaps one of the only firms that has found a way to incorporate all of its senior lawyers without excluding people from the 'real' partnership is global giant DLA Piper Rudnick Gray Cary. The firm has created two kinds of partner: pure equity partner and fixed share equity partner, but considers them 'cut from the same cloth'. The equity partners operate as a standard partnership with remuneration based on annual performance and contribution to the running of the firm, but do not use a point system. The fixed share equity partners receive the majority of their pay as a salary if the firm as a whole reaches its profit targets. They then also receive part of their remuneration from

the equity pool based on their own performance. The link to the equity and performance of the firm means fixed share equity partners are not considered as inferior, just different. There is also a greater sense of shared responsibility. DLA Italian managing partner Federico Sutti says: "These fixed share partners are responsible for their own budget and aren't considered as associates. They come to partners' meetings and they vote. They are not a secondary category of partner."

Cynics may doubt whether DLA really does treat equity and fixed equity lawyers alike, but a factor in favour of supporting the firm's claim is that both kinds of partner are allowed to vote. For some partners the ability to have their voice heard is on a par with the right to share the profits. The former German salaried partner says that the right to vote and make firm-wide decisions should not be underestimated. "If you can't attend partnership meetings then you cannot say you are a partner," he stresses. It is perhaps for this reason that Clifford Chance, which has salaried partners in many of its offices, is now considering

dropping restrictions on voting to include equity and non-equity partners in all major decisions. There is even a proposal – that will be voted on before the summer – to allow salaried partners onto the firm's management board. Meanwhile, Taylor Wessing's Mr Wethmar says his practice has introduced a one man/one vote system that allows the firm's equity and non-equity partners equal voting rights.

If these developments are a sign of where the market is heading then it seems that law firm managers need to get their policy straight on whether to support salaried partners or not. While some players such as Nauta are dropping non-equity partners, others are bringing theirs out of the shadows and placing them centre stage, such as Clifford Chance. Europe's law firms undoubtedly find the whole question of salaried partnership troubling and a few would even prefer to gloss over or hide from it. However, perhaps a better solution would be to admit the imperfections of modern legal practices and embrace salaried partners as part of the new reality. ■

NautaDutilh: swimming against the tide

Unlike many other law firms in Europe, top Dutch player NautaDutilh is going in the opposite direction and is scrapping its role of salaried partner.

The firm says it introduced the position six years ago in order to contain those lawyers who were considered potential equity partner candidates and also those that "did not have the potential" yet the firm wanted to retain because of their niche expertise. According to Nauta chairman Marc Blom: "It didn't work out very well – it created confusion. So we have decided that we will not be creating any more." He claims it is better to hire new young people in than to keep a person who "did not progress any further with their career". However, Mr Blom concedes this is not the perfect solution and says they still have difficulty dealing with people who fall between the associate/partner gap.

The problem with using salaried partners, he explains, is that they can

confuse clients. Nauta believes a firm is sending out an "unclear message" with such a title. He adds that salaried partners also do not conform to clients' expectations in terms of their standing: "You can be unknown in the Dutch market after eight years at a firm, but after 12 the market should notice you." Although Mr Blom did not spell it out, the inference is that Nauta's image as an elite firm suffers if clients realise someone named a Nauta partner has little local following.

A senior partner from a rival Dutch independent says that Nauta had initially felt the need to follow a firm model with two kinds of partners to protect the equity. Now, he says, they want to change back to a single equity partnership to safeguard their name. The rival partner added that in Holland having salaried partners is still an image problem for firms seeking to have elite credentials. "It's a touchy issue," he warns.

Two years ago Nauta had 20 salaried partners, but it currently has around ten, and will not be making any more. Those that remain will be expected to soon make equity partner or face pressure to move on. Fellow Nauta partner Willem Calkoen agrees that scrapping the salaried partner role is the right thing to do for the practice, although he admits that many other firms are beginning to see their value: "Now people want salaried partners as the market has gone up. [In this situation] it's nice to have someone with ten years experience at the firm."

However, he says Nauta's partners have made their decision and are sticking to it. Mr Calkoen stresses that clients want the "best person around". Nauta has decided that this should be interpreted as: no more salaried partners. Whether this strategy works or whether Nauta will soon return to its previous system remains to be seen. ■