

Calculating Diversity Return on Investment

Outline for Panel Presentation at the Minority Corporate Counsel Association's
8th Annual Pathways to Diversity Conference
November 8, 2007
New York, NY

Panelist	Title	Firm
Elizabeth Campbell	Partner & Chief Diversity Officer	Andrews Kurth LLP
Kate Fritz	Managing Partner	Fenwick & West LLP
Jack Yeh	Partner & Diversity Committee Co-Chair	Manatt, Phelps & Phillips LLP
Mark Floyd	Partner & Diversity Committee Chair	Thompson Hine LLP
Tina Paikeday Shah	Principal	Talent Advisory Board Inc.

1. Talent Market Overview - 5 minutes

- a. Legal Industry Faces Mounting Talent Shortage
- b. Minorities Drive Future Population Growth
- c. Corporations are Demanding Diversity from Law Firms
- d. Law Firms Must Compete for Scarce Diverse Legal Talent
- e. Scarce Supply Meets Competitive Demand in Am Law 200

2. Diversity Strategy by Region - 40 minutes

- a. One Size Does Not Fit All – Diversity Statistics by Region
- b. New Diversity Vision at Thompson Hine
- c. The Pursuit of Public Service Leadership Inspires Diverse Attorneys at Manatt
- d. Fenwick & West Creates an Inclusive Culture of Respect
- e. Senior Level Dedication to Diversity & Inclusion at Andrews Kurth

3. Diversity ROI Framework – 15 minutes

- a. Law Firms are Investing in Diversity
- b. What Is It Worth to the Most Diverse Law Firms?
- c. Alternatives to Diversity Spending Are Expensive
- d. Law Firm Business Model Basics
- e. Levers of Diversity Return on Investment

4. Return on Investment Analysis – 20 minutes

- a. Regional Research Summary
- b. Selected Positive ROI Case Examples

5. Closing Remarks – 10 minutes

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Research Description

Calculating Diversity Return on Investment provides an overview of legal talent market dynamics, a framework for analyzing diversity spending and a perspective from four law firm diversity leaders on how to achieve the greatest returns. The law firms from across the country which collectively invested in analyzing data and internal practices to inform this research include the following firms which were founded in cities with rich racial and ethnic diversity.

<i>2000 U.S. Census Bureau</i>	Founding City	Population (2000)	% Minority Race (2000)	% Hispanic or Latino Origin (2000)
Andrews Kurth	Houston, TX	1,953,631	51%	37%
Fenwick & West	Mountain View, CA	70,708	36%	18%
Manatt, Phelps & Phillips	Los Angeles, CA	3,694,820	53%	47%
Thompson Hine	Cleveland, OH	478,404	59%	7%

Legal Talent Market Overview

According to *The American Lawyer*, the number of students graduating from law schools over the last ten years has barely increased from 36,000 in 1986 to 40,000 in 2005. *The American Lawyer* summer associate hiring survey reported that the Am Law 200 will require 10,000 new associates next year, while the top 20 law schools will graduate only 6,500 students in 2008.

The U.S. Census Bureau reports more than one third of the U.S. population is comprised of those who are from minority races or of Hispanic or Latino origin. U.S. law firms are investing in strategies to increase the representation of minorities at all levels in their employee populations.

<i>2006-2007 NALP Directory of Legal Employers</i>	% Minority	% Non-Minority
Law Firm Summer Associates	23%	77%
Law Firm Associates	17%	83%
Law Firm Partners	5%	95%

According to the American Bar Association, the percentage of minority legal graduates is approximately twenty percent, still lower than their representation in the US population. Because of the relative talent shortage and high demand by top firms for diverse talent, it will be critical to identify effective and efficient ways to find and retain diverse attorneys.

Case Examples

The following case examples of diversity practices at participating law firms were prepared by Talent Advisory Board for presentation at the Minority Corporate Counsel Association's 8th Annual Pathway's to Diversity Conference on November 8, 2007.

1	New Diversity Vision at Thompson Hine
2	The Pursuit of Public Service Leadership Inspires Diverse Attorneys at Manatt
3	Fenwick & West Creates an Inclusive Culture of Respect
4	Senior Level Dedication to Diversity and Inclusion at Andrews Kurth

Research Participants

We extend our sincere appreciation to the following individuals for their significant contributions to this research:

Name	Title	Firm
Elizabeth Campbell	Chief Diversity Officer & Partner	Andrews Kurth
Kate Fritz	Managing Partner	Fenwick & West
Julieta Wiley	Manager of Attorney Recruiting & Diversity	Fenwick & West
Jack Yeh	Diversity Committee Co-Chair & Partner	Manatt, Phelps & Phillips
Stephanie Och	Professional Development Manager	Manatt, Phelps & Phillips
Mark Floyd	Diversity Committee Chair & Partner	Thompson Hine
Tony Brown	Director, Human Resources & Administration	Thompson Hine
Jennifer Irwin	Associate Director, Lawyer Recruiting, Development & Diversity	Thompson Hine

About Talent Advisory Board

Tina Paikeday Shah is the Principal of Talent Advisory Board, which specializes in sourcing, developing and retaining a diverse workforce. Her boutique research and consulting practice focuses on serving law firm leaders who have made a commitment to workforce diversity. Qualitative and quantitative research and analysis is employed to provide independent performance assessments, measure return on investment, and inform fiscal planning based on diversity best practices. For more information, please visit www.talentadvisoryboard.com.

New Diversity Vision at Thompson Hine

Thompson Hine was founded in 1911 in Cleveland, Ohio and now has expanded to a roster of 408 attorneys in eight offices primarily concentrated in the eastern states. Cleveland is a city where 51% of the population was African American as of 2000 according to the U.S. Census Bureau, which also reports in comparison that African Americans comprise approximately 12% of the U.S. population. In 1967, Cleveland's newly elected mayor Carl Burton Stokes was the first African American mayor of a major U.S. city, and the city's current mayor Frank George Jackson is half African American.

Thompson Hine laterally hired African American partner Mark S. Floyd from another Cleveland based law firm seven years ago to serve as Vice Chair of the Labor and Employment practice. Mark graduated from Stanford University where he recalls a fellow student suggesting that he took a non-minority friend's admission seat. He graduated with a J.D. in 1983 from Columbia Law School in New York City where African American lawyers at that time were sometimes mistaken to be the copy boys. Because Mark's father was in the military while he was growing up, he learned to remove obstacles to success by going where good opportunities were offered to him. He was initially attracted to Thompson Hine because of the opportunity to lead a practice group at what is known as one of the two largest law firms in Ohio. As Mark considered the opportunity, he saw Cleveland as a place where trail blazers like Carl Burton Stokes have helped to pave the way for diverse leadership.

At the beginning of 2006, Managing Partner David J. Hooker tapped Mark to expand his leadership responsibilities to include the chairmanship of the firm's Diversity Committee. Under Mark's leadership, the Diversity Committee is structured into sub-committees which are responsible for implementing programs that are focused on awareness, recruitment, advancement and outreach. The Committee believes that "increasing the diversity of our firm will make each of us better individuals and will enhance our ability to serve our clients more effectively and with greater creativity and innovation." With 6% minority

partners and 9% minority attorneys, Mark is looking forward to investing in diversity to impact overall numbers and intermediate leading indicators in way which is similar to the Women's Initiative, which has helped the firm to achieve success with women, reporting 22% female partners and 42% female attorneys.

This year, Mark has interviewed almost all of the minority associates and partners in the firm's seven U.S. offices to understand their experience and concerns. The key themes from these interviews will serve to enhance retention programs and further diversity information collection efforts. Mark's belief that diversity makes good business sense has led to a unique vendor and supplier diversity initiative. One associate says the following about this initiative and other diversity programs, "The firm is not just saying the right things, it is doing the right things. The fact that time that would otherwise be billable is being invested in diversity demonstrates the firm's commitment."

When it comes to recruiting diverse attorneys to the firm, the Recruiting Sub-Committee is currently focused at the law school level. For example, the firm visits the "historically black" Howard University School of Law, sponsors the annual conference of BLSA (Black Law Student's Association), and offers a minority scholarship. Thompson Hine is a signatory to the Cleveland and Columbus Bar Association Minority Clerkship programs which offer summer internships to promising minority attorneys who do not fit the standard profile. So far, both parties have found the program to be mutually successful.

Thompson Hine can rely on both the sophistication of the work and the friendly culture to keep attorneys at the firm once they arrive. Cleveland's relatively low cost of living makes it affordable for even a first year associate to buy a house and plant roots in the community. One minority associate says about Thompson Hine, "I have other options in Cleveland and elsewhere, but I hope they keep me here." In a city where the majority of the population is African American, the firm has chosen an accomplished and passionate leader to spearhead diversity initiatives.

The Pursuit of Public Service Leadership Inspires Diverse Attorneys at Manatt

Manatt, Phelps & Phillips LLP is a national firm headquartered in Los Angeles, CA with 315 attorneys on staff. Public service is a way of life at Manatt where currently 19% of attorneys are minorities and 36% are women – and 8.7% of partners are minorities and 24.8% are women. The firm was founded in 1965 by Chuck Manatt, who served as the Chairman of the Democratic National Committee from 1981 to 1985 and as chairman of the Board of Trustees at George Washington University from 2001 to 2007. Three of the firm's eight major offices are located in the capital cities of Washington D.C., Sacramento, CA and Albany, NY in order to provide proximity to government decision makers. The other five offices are strategically located in major business and financial centers including New York, Los Angeles, Costa Mesa, Palo Alto and San Francisco. The firm encourages associates and partners to do pro bono work and to take leadership positions in programs that enrich the lives of other people in the communities they serve. The firm's commitment to this work is evident in the investment it has made in hiring a full-time Pro Bono Director.

The firm's Managing Partner, Bill Quicksilver, sits on the Diversity Committee along with two Co-Chairs: Jack Yeh who is based in Los Angeles and Peter Sherwood who is based in New York. Their work is integrated into the human resources, recruiting and marketing functions. Diversity Committee Co-Chair Jack Yeh believes that two factors are necessary for the firm's diversity program to work effectively: (1) minorities must take responsibility to succeed and (2) law firms must inspire minorities. It appears that developing deep relationships has enabled Manatt's success with minorities. The firm recruits minorities at the entry level and has also developed relationships in minority legal communities where its associates and partners are involved in leadership positions. The presence of these relationships in the community makes attorneys aware of Manatt and increases possibilities for hiring laterally at more senior levels. Once attorneys enter the firm either as new or lateral hires, they are paired with senior attorneys through a somewhat organic process in order to develop mentoring relationships. In addition to serving the typical function of

helping with choice staffing assignments, mentors consider attorneys to be protégés who they actively coach to develop their careers. This type of protégé relationship is a significant commitment, and partners are held accountable for successful attorney development through the formal review process.

Because the firm actively seeks to bring in attorneys who are engaged in the outside community, many of the firm's minority attorneys are leaders in the minority bar associations. For example, Jack Yeh has been very active with the Southern California Chinese Lawyers Association (SCCLA). He has served on the organization's Board of Governors since 1999 and has chaired the Judicial and Political Appointments Committee since 2001. Jack cites the importance of giving back to the community as the primary reason for his involvement. Inevitably through his involvement Jack also serves as a role model to various members of the community, as evidenced by his recognition as one of twenty-five of the nation's "Best Lawyers Under 40" by the National Asian Pacific American Bar Association (NAPABA).

Ileana Hernandez, who started at the firm as a first year associate in 1998, is another example of a community leader. She credits her mentors at Manatt for enabling her successful path to joining the partnership this year. Ileana's parents emigrated from Honduras to provide the family with more opportunity, and she has a strong desire to encourage others in the Latino community to take advantage of access to higher education which she believes is critical to advancement. Ileana's mentors were critical in encouraging her to follow her passion to help others in the community by serving in leadership roles at the Mexican American Bar Foundation and Hispanic National Bar Foundation while managing a commercial litigation and bankruptcy practice. Ileana is also a mother of twin toddlers and currently serves on the Board of Trustees for the Hispanic College Fund. Since many attorneys like Ileana enter the profession in order to fulfill aspirations of advocating justice, the encouragement to pursue public service leadership at Manatt appears to be a critical factor in inspiring attorneys to invest in building their careers at the firm.

Source: Interview with Jack Yeh, Partner & Diversity Committee Co-Chair & Ileana Hernandez, Partner, Manatt, Phelps & Phillips.

This case example was prepared by Talent Advisory Board for presentation at the Minority Corporate Counsel Association's 8th Annual *Creating Pathways to Diversity Conference* on November 8-9, 2007 in New York City. The firm below was selected for inclusion as a panel participant.

Fenwick & West Creates an Inclusive Culture of Respect

Fenwick & West LLP is a regional firm headquartered in Mountain View, CA with 250 attorneys on staff. The firm has created an environment where diverse attorneys feel included. Fenwick is well-known for its diverse attorney population with 28% minorities and 33% women currently. The firm is ranked by the *Multicultural Law Journal* as the #1 firm for Asian-American Diversity. Since 2001, Fenwick's Diversity Committee has implemented several programs which have resulted in such an environment, including: (1) pro bono work in diverse communities, (2) minority bar support and (3) widely accepted reduced hour and part-time programs.

Fenwick has logged 14,000 hours from 2005 to 2006 in pro bono work, including support of diverse organizations (e.g., API Legal Outreach, AIDS Legal Referral Panel and Astia which was formerly the Women's Technology Cluster). This work is both meaningful to associates and helps to advance skill development through exposure to various legal issues.

The firm has sponsored several minority bar associations. One example includes Fenwick's 2007 sponsorship of NASABA (the North American South Asian Bar Association) where the firm provided a bronze level sponsorship for the annual convention. Fenwick publicized the event on the home page of the firm's website, donated partner time for panel moderation and encouraged firm associates to participate on the convention planning committee.

Fenwick's alternative full-time schedule (1800 vs. 1950 billable hour requirement) appears to be widely accepted throughout the firm and has a 15% participation rate. Fenwick also has a reduced-hours policy under which attorneys can work a percentage of a full-time schedule (below 1800 hours), and approximately 15% of attorneys participate in this program. One part-time associate says about her participation, "I do not feel stigmatized at all." Attorneys working part-time feel that they are fairly compensated for the hours they work rather than feeling that they work nearly full time for half the pay as can often be the issue with part-time programs.

In addition to these programs, Fenwick is able to take advantage of its entrepreneurial size, Bay Area location and its diverse technology and life sciences clients as factors which help to attract and retain attorneys. These factors are perceived as strengths by attorneys who believe that they make Fenwick a place that feels very comfortable and approachable. One attorney summed up the inclusive nature of the culture, "When I interviewed with the firm, I found that the interviewer and I immediately found something in common which eased my nerves. When I joined the firm, it was easy to find someone who understood me and took me under their wing."

Partners play an important role in diversity at Fenwick. The firm holds its partners accountable for diversity efforts through its compensation structure that rewards partners for the initiative which they take. One associate said, "Partner compensation is impacted by their involvement in diversity initiatives, and that makes a big difference." Another associate refers to a minority attorney who advanced from first year associate at Fenwick to partner as an important role model. The firm's Managing Partner, Kate Fritz, invests personally in finding ways to support diversity efforts which impact attorneys throughout the firm.

According to Kate, the substance of the innovative work at Fenwick is at the core of what engages attorneys who enjoy the constant challenge associated with change. She references the firm's founders when describing a culture that has developed since 1972 as one in which "the individual respects the institution and the institution respects the individual." As compared to the types of societies that have developed across the world, the Fenwick & West culture might be described as one in which the collectivist and the individualist can both co-exist in harmony.

Source: Interviews with Kate Fritz, Managing Partner; Julieta Wiley, Manager of Attorney Recruiting & Diversity; and anonymous associates, Fenwick & West LLP.

This case example was prepared by Talent Advisory Board for presentation at the Minority Corporate Counsel Association's 8th Annual *Creating Pathways to Diversity Conference* on November 8-9, 2007 in New York City. The firm below was selected for inclusion in this research as a panel participant.

Senior Level Dedication to Diversity and Inclusion at Andrews Kurth

Andrews Kurth was founded in 1902 in Houston, Texas and helped to establish the Gulf Coast Lines with a reputation for counseling railroad clients. Today, the global firm has over 400 attorneys in nine offices concentrated both in Texas and the major financial centers. Houston is a city where the majority of the population is comprised of people of color, with the U.S. Census Bureau reporting 25.3% African Americans and 37.4% of the population of Hispanic or Latino origin.

Firm Chairman Howard Ayers believes that it is important for the firm to reflect the diversity of the community. After evaluating a slate of candidates with a demonstrated record for success, the firm hired Elizabeth Campbell in the spring of 2007 to serve as the firm's Chief Diversity Officer. One of the reasons she accepted the opportunity is because it was structured with a full-time focus on diversity and inclusion, alleviating the need to balance client demands as is the case in many firms where the partner leading the diversity committee plays dual roles.

In her new role, Elizabeth reports directly to Managing Partner Bob Jewell and works closely with Gene Locke, an African American Partner who is a member of the firm's Policy Committee and who also chairs the Diversity Committee. Elizabeth is a Partner at the firm, and her sole focus is on the firm's diversity strategy. Gene Locke believes that it is important for Elizabeth to devote her full attention to diversity without the pressures of practicing law part-time, which might distract her from the diversity mission that is important to the firm.

Elizabeth aspired to become an attorney in grade school despite receiving feedback from a teacher that this wouldn't be possible for an African American female. This feedback made her even stronger in her conviction to become an attorney. Elizabeth received her J.D. from the University of Michigan Law School in 1978 and most recently served as Vice President of Employment Relations and Corporate Diversity Officer for the ARAMARK Corporation. She brings to the firm over 25 years of experience including serving as both external and in-house counsel and leading human resources, employment relations and diversity strategies in the corporate sector.

Elizabeth transitioned from an attorney to the business side over ten years ago. After leading a strategic planning project on human resources at Delaware North Companies, Inc., she ultimately became Vice President of Administration for a Delaware North subsidiary. Elizabeth then joined ARAMARK to head up a new employment practices department which included responsibility for both EEO/affirmative action compliance and human resource policy development. She led the implementation of a diversity strategic plan and then built an infrastructure for continued delivery. Under Elizabeth's leadership, this plan resulted in the hiring of 40% women and minorities at the executive level in 2005.

In her new role at Andrews Kurth, Elizabeth is excited to expand upon the work which has already taken place at the firm. She is conducting firm-wide, all personnel Diversity and Inclusion orientation sessions. The firm has already invested in a Women's Initiative Team and reports that 31% of attorneys and 16% of partners are female. The *Minority Law Journal* reported that 10% of attorneys and 7% of partners were minorities in Sept. 2006.

The firm's diversity vision is "to be a leader in the legal profession by building a high performance team of diverse individuals." The diversity and inclusion strategy focuses on three areas: workforce, workplace, and marketplace. The firm strives to recruit, develop, promote and retain a diverse high performance team. In the workplace, the firm strives to create an inclusive culture, for example, by employing direct communication called "straight talk." In the marketplace, the firm seeks to advance diversity strategies to enhance relationships with clients, suppliers and the community at large.

An important aspect of Elizabeth's work as Chief Diversity Officer is to serve as a senior level advocate for diversity and inclusion in the community. She has spoken at numerous conferences including the Texas Diversity Council's Leadership Conference in Dallas this year. It is anticipated that this exposure and the firm's commitment will enable progress in the areas of diversity and inclusion at the firm.

Source: Interview with Elizabeth Campbell, Partner & Chief Diversity Officer, Andrews Kurth LLP.