Cravath, Swaine & Moore, non-equity partner, legal industry, talent reward, evolving dynamics

Innovating to Reward Outstanding Talent

Cravath, Swaine & Moore, an esteemed US law firm renowned for setting industry pay standards, has introduced a non-equity partner tier, signaling a shift from its traditional structure. The new tier is aimed at retaining and promoting exceptional legal professionals sought after by competitors.

A Strategic Move to Nurture Talent

In an internal company-wide communication sent on Tuesday, Presiding Partner Faiza Saeed revealed that the firm had recently established the "salary partner role" to ensure the retention and promotion of exceptional individuals across all levels. This move allows the 204-year-old firm to financially recognize and motivate its junior staff more effectively. In contrast, the firm's approximately 100 equity partners are required to purchase a stake in the firm after at least seven years of service and share in the firm's overall profits.

Adopting a Proven Approach

Rivals like Kirkland & Ellis and Latham & Watkins, who have successfully lured talent from Cravath in recent years, have already adopted a non-equity system in tandem with a traditional equity partner tier. This shift is aligned with other Wall Street competitors who have embraced similar structures.

Responding to Market Dynamics

In her communication to the staff, Saeed emphasized that Cravath is evolving in line with market dynamics. The goal is to reward individuals who align with the firm's values and objectives. She noted that this adaptability is a cornerstone of the firm's enduring success, which has spanned three centuries—an impressive feat in the business world.

Cravath has chosen not to comment further on this development, which Bloomberg Law initially reported.

A Prestigious Firm's Evolution

Cravath, known for its benchmark-setting pay scale, has undergone a series of changes in recent years as younger, more commercially minded competitors have seen significant profitability growth. In 2021, the firm revamped its pay structure by departing from the pure "lockstep" model, which had been in place since 1976, and instead focused on rewarding partners based on merit.

The decision to further distance itself from the pure lockstep model underscores the pressure to adapt and prevent the loss of talented lawyers to firms offering more attractive compensation packages.

The Talent Exodus

In 2016, Cravath lost star mergers and acquisitions lawyer Scott Barshay to Paul, Weiss, Rifkind, Wharton & Garrison. Since then, the firm has seen the departure of other promising talent, including Eric Schiele and Jonathan Davies to Kirkland & Ellis, Andrew Elken to Latham & Watkins, and Damien Zoubek to Freshfields. Firms like Kirkland & Ellis have been able to attract highly sought-after partners by promising generous rewards based on performance—a model often referred to as "eat what you kill."

Expanding Horizons

In addition to these internal changes, Cravath recently expanded its presence into Washington and hired its first English law practitioners, Korey Fevzi and Philip Stopford, in London. The firm is also planning to move from its Midtown Manhattan location to Hudson Yards next spring. Saeed mentioned that this move will offer more social spaces and reduce separation among team members, aiming to replace the traditional partner suites and mahogany interiors.

Cravath, Swaine & Moore's move to establish a non-equity partner tier underscores its commitment to adapting to the evolving legal landscape while nurturing and rewarding exceptional talent. This strategic shift demonstrates the firm's determination to remain competitive and innovative in the legal industry.

Don’t be a silent ninja! Let us know your thoughts in the comment section below.