Which path to power? Workplace networks and the relative effectiveness of inheritance and rainmaking strategies for professional partners

Forrest Briscoe1,* and Andrew von Nordenflycht2

1Smeal College of Business, Penn State University, 450 Business Building, University Park, PA 16802, USA and 2Beedie School of Business, Simon Fraser University, 500 Granville Street, Vancouver, BC V6C1W6, Canada

*Corresponding author. Email: fbriscoe@psu.edu.
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ABSTRACT
This article begins a systematic conceptualization and measurement of partner careers in professional service firms. Taking a relational approach, we identify two strategies for investing in social networks—inheritance and rainmaking strategies—that help build partner careers by generating client revenue. We study how investments in these networking strategies lead to the differences in partners’ client revenues. Using client billings and personnel records from a large law firm, we conduct fixed effects regressions on partners’ intrafirm relationships and client revenues. We find that both inheritance and rainmaking are associated with more client revenues in subsequent periods. In addition, we find important gender and racial differences in the effectiveness of these strategies. Although the inheritance strategy has positive effects for male and non-minority partners, it has negative effects for female and minority partners. Conversely, the rainmaking strategy is more effective for female partners than for male partners. In this way, the findings contribute not only to our understanding of professional service firms and partner careers but also to research on diversity and inequality mechanisms.

KEYWORDS: professional service firms; careers; networks; law firm partnerships; gender and racial diversity; rainmaking.

INTRODUCTION
One of the distinctive institutions encountered in professional services is the large professional partnership (Greenwood, Hinings, and Brown 1990; Brock, Powell, and Hinings 1999; Greenwood and Empson 2003; Malhotra, Morris, and Hinings 2006). In this form of organization, a group of senior professionals own the firm, govern collectively with little formal hierarchy, and distribute profits among themselves. Junior professionals in the firm face an ‘up-or-out’ system whereby after a multi-year probationary period, a select few are invited to join the partnership whereas the rest are asked to leave the firm. Partners in these large
professional partnerships typically enjoy power, income, and status not only within their firm but also within the profession, and even society more broadly. Thus, for junior professionals, making partner is a key career goal or milestone: ‘the brass ring’ of a professional career (Groysberg et al. 1999; Greenwood et al. 2005). Not surprisingly, there is considerable research on the individual and organizational factors that affect junior professionals’ likelihood of making partner (Gilson and Mnookin 1989; Kahn and Huberman 1988; O’Flaherty and Siow 1995; Malos and Campion 1995; Malos and Campion 2000), and on the role of gender and ethnicity in the process (Wilkins and Gulati 1996; Rhode 2011; Kay and Gorman 2012).

But what of life after making partner? Given that professionals typically make partner around age 35, much of their careers are still ahead of them. Although there is some research on partners who move from one partnership firm to another (Sherer and Lee 2002; Rider 2012), there is little research about the careers and outcomes of partners within a given firm, which accounts for the vast majority of all partners’ time. Some traditional organizational features of professional partnerships—such as lack of formal positional hierarchy or management roles that rotate among partners (Greenwood, Hinings, and Brown 1990; Malhotra, Morris, and Hinings 2006)—may give the impression that all partners are basically equal. However, as anyone who has ever spent time in a professional partnership can attest, it is certainly not the case that all partners are equal—instead, the partnership ranks are stratified (Wilkins 1999). Hitt et al. (2001) theorize that partners differ in their human capital, stemming from the status of their professional school backgrounds and years of experience—and that those factors impact partnership profitability. However, we know little about how such differences among partners translate into power, money, and status within firms, or how partners achieve different individual outcomes with a given level of human capital (Briscoe and Tsai 2011). We also lack knowledge about the ongoing roles of gender and ethnicity after making partner.

It is probably fair to assert that for most professional service firms, the primary source of cross-partner differences in compensation, power, and status is control over clients—i.e. the partner’s book of business. Clients tend to have strong relationships with individual partners and so the revenue paid by clients is attributed to individual partners. In many firms, each partner’s contribution to the firm’s total revenue influences, to varying degrees, the distribution of the firm’s annual profits among the partners (Altman Weil 2000). For instance, across large law firms, this ‘eat what you kill’ model of profit distribution has been steadily increasing in prevalence and intensity (Gabarro and Burtis 2006; Regan 2004).

Even where compensation is not strongly determined by client revenues (as in the lock-step model), partners who control more client revenues nonetheless enjoy more power and status (Nelson 1988). Because clients tend to form relationships with individual partners, clients can—and often do—move to another firm if the partner moves. Thus, partners with larger books of business enjoy more labor market mobility, which can yield compensation increases if they actually move but also generates corresponding power within their firm, based on the implicit threat of leaving. For instance, Somaya, Williamson, and Lorinkova (2008) shows that when partners leave one law firm for another law firm, the original firm experiences lower performance in subsequent periods. In short, for partners in most professional service firms, client revenue is the source of power (Blair-Loy 2001).

A key question, then, is how partners come to acquire client relationships and books of business (we use the terms ‘book of business’, ‘client billings’, and ‘client revenues’ interchangeably). Given that client revenue arises from a social relationship between partner and client, the process of building a book of business necessarily involves social networks. Certainly, differences across partners in professional school status and years of experience (Hitt et al. 2001) may play a role in the relative strength of partners’ networks. However, our primary interest in this analysis is on the ‘strategies’ partners use for building such networks. In this article, we identify two different network strategies for building a book of business: ‘inheritance’, which focuses on networks within the firm, and ‘rainmaking’, which focuses on networks outside the firm. Using a
database of client billings and inter-partner relationships over 10 years at a single large law firm, we examine the relative effectiveness of each for individual partners.

We also consider how these networking strategies may differ based on partner gender and ethnicity. As with professional careers in general, most prior research on gender and diversity among professionals has focused on junior levels. Simply put, that research shows that women and minorities do not appear to be making partner at the same rate as white men, despite decades of increasing representation in the graduating classes of law schools and the entering cohorts of law firm associates (Hagan and Kay 1995; Wilkins 1999; Holder 2001; Heinz et al. 2005; Kay and Gorman 2008).

As building client revenues involve building social networks, it also raises the question of whether this process works differently for female and minority partners, given the preponderance of white males in both the internal and the external networks relevant to building client revenue. So we examine whether the relative effectiveness of the two network strategies differs for female versus male partners, and minority partners versus non-minority partners. Our results contribute to research on professional careers, as well as to the sociology of networks and stratification.1

In discussing our findings from a single US law firm, we also consider the implications for other professional partnership settings. The key features of the context we study include a partnership organizational structure and norms or rules under which stature and/or rewards accrue to partners who attract and control more client revenues. Those features appear commonly in a wide range of professional service industries, such as accounting, advertising, medicine, investment banking, and management consulting. In addition, our findings concerning female and minority partners should apply in organizations where junior partners are more diverse than their senior colleagues—also a common scenario in many professional industries. We close with implications for policy and practice, as well as suggestions for future research to develop more of a systematic understanding of this fundamental yet relatively unexplored aspect of the structure of professional careers.

**NETWORK STRATEGIES FOR PROFESSIONAL SERVICE FIRM PARTNERS: INHERITANCE AND RAINMAKING**

In order to consider how networking strategies contribute to partner careers, we consider those basic features of professional services that shape work and organizational structures in this sector. Professional services are characterized by the application of complex, customized knowledge to client problems (von Nordenflycht 2010; von Nordenflycht, Malhotra, and Morris in press). These conditions make it difficult for clients to assess the quality of a professional’s service, either before or after the service has been performed (Parsons 1939; Sharma 1997). This chronic uncertainty about the nature and quality of the services being provided leads to economic actions that are ‘embedded’ or intertwined with ongoing social relationships (Uzzi 1996). There are two salient aspects of this embeddedness for partners trying to build a book of business.

First, because clients may have difficulty assessing technical competence across professionals, they will select a professional advisor partly (or even largely) on the degree to which they feel they can trust the advisor. Of course, that trust will be based partly on the reputation of the professional service firm for quality service, and related information the firm provides to clients. But trust is also rooted in the formation of a social relationship between individual decision-makers at the client organization and individual partners at the professional firm. Trust also arises through personal referrals: clients will look to people they already have trusted relationships with for endorsements of new professionals. In short, client–professional relationships are deeply embedded in social relationships between individuals.

A related aspect of embeddedness that affects partner careers stems from the fact that clients will prefer to deal with those who they already trust as a result of repeated, successful past exchanges; parties even routinely make extra accommodations in order to preserve the ongoing benefits that flow from these embedded economic transactions (Uzzi and Lancaster 2004). In other words, uncertainty about quality and associated embeddedness implies a
strong degree of inertia: clients will favor their current professional advisor, with whom they have already been transacting.

These implications pose significant challenges to new partners in building a book of client relationships. They imply that partners must find potential clients who are very dissatisfied with their existing professionals or have not yet established relationships with professional advisors, and generate trust in the client that the partner will deliver high-quality service. The embeddeness of client–professional relationships also means that social networks are a critical factor.

The inheritance strategy
In this context, perhaps the most obvious path for a partner to develop a client base is to ‘inherit’ clients from senior partners in the same firm. Although the existing client–partner relationships tend to be quite stable and resilient, partners do eventually retire (or otherwise exit the profession) and thus their clients will need to find new advisors. Barring some kind of falling out or bad outcome attributed to their current advisor, clients will be positively disposed toward a future advisor who they come to trust through the strong endorsement of their current advisor.

The inheritance strategy has several benefits. As noted, the primary one is that the retiring partner can provide the focal partner with perhaps the best reference possible, as it comes from an advisor the client has trusted to perform precisely the role that the client is looking to fill. Second, the client does not have to worry about choosing a new firm, along with a new partner, thus preserving some of the inertia and embeddedness. Third, to the extent that the younger partner has worked with the retiring partner on the client’s business, the client will have gained direct experience of the younger partner’s technical expertise, increasing the degree of trust. Fourth, inherited clients are likely to offer a substantial (or at least known) quantity of billings revenue for the junior partner right away.

From a social network perspective, the inheritance strategy thus involves forming connections with those incumbent partners who control clients but who may be relinquishing their control sometime soon. For instance, it is common knowledge in law firm circles that a primary strategy for landing clients is ‘to attach yourself to an aging partner’ and hope to acquire that partner’s clients when he or she retires (Scheiber 2013). The investment required for this strategy is the allocation of one’s time to doing work for the senior partners’ clients.

It is important to note that this ‘inheritance’ strategy is not without risks from the perspective of the partner pursuing it. For one thing, a retiring partner may have relationships with multiple junior partners, all of whom have worked with the client. Thus, even if the focal partner has invested time and energy in working with the retiring partner and his/her clients, the retiring partner may recommend a different junior partner to take over clients. Second, there is no guarantee that a client will stay with the incumbent firm upon the incumbent partner’s retirement. Third, allocating time to work with partners who are closer to retirement has opportunity costs in terms of where that time might otherwise be spent. It may preclude forming closer ties to mid-career partners with practices in cutting-edge areas that offer better opportunities to build relevant expertise. For instance, in our sample, partner tenure has a convex relationship with client billings, indicating that mid-career partners may have larger books of business than that of retiring partners. Allocating one’s time to working with retiring partners may also cut into the time required to find and develop new clients. In other words, there is not a deterministic relationship between working with retiring partners’ clients and subsequently building a larger book of business—rather, it is an open empirical question.

For these reasons, we view the inheritance strategy as a networking investment with some risk, and we theorize that, on balance, there will be positive returns to this inheritance strategy. Thus, we predict that pursuing this strategy by cultivating relationships with senior (retiring) partners will, on average, lead to a subsequent increase in a partner’s book of billings.

Hypothesis 1: The network strategy of working with retiring partners (i.e. the inheritance strategy) will increase a partner’s subsequent book of business.
The rainmaking strategy
A major alternative strategy for gaining control over client relationships, which we call ‘rainmaking’ after the commonly used colloquial expression, involves building external relationships to new clients. This strategy involves drawing on one’s social network outside of the firm, as well as investing one’s time in both building that network through professional and community organizations and building trust with potential clients’ contacts generated by those activities.

We argue that this strategy is harder than the inheritance strategy, primarily in that it involves more risks. First, partners pursuing this strategy cannot rely on any incumbent partner or client relationship within their firm in order to help overcome the embeddedness and inertia problems with new clients (in contrast, the inheritance strategy benefits from those advantages). Second, whereas the investment required for the inheritance strategy involves spending time on work that generates revenue (e.g. billing existing clients), soliciting new clients requires time investments for meetings and presentations that are uncompensated by any client payment. Thus, the partner will risk appearing less productive and profitable to the overall partnership. Third, the partner will likely be competing for these potential clients—whether new organizations that have only recently discovered the need for a professional advisor, or organizations that are dissatisfied with their current advisor—with professionals from many other firms.

The arguably greater risk attendant to investing time in the rainmaking strategy, relative to the inheritance strategy, begs the question why partners would pursue it. There are at least two reasons. First, rainmaking may offer the promise of building a book of business more quickly, as it does not require waiting for senior partners to retire and relinquish their clients. Second, some partners may be constrained in pursuing the inheritance strategy, disadvantaged in the internal network competition for relationships with senior partners. Thus, both strategies are likely to be observed—and both are likely to be viable.

Ideally, one would assess the returns to the rainmaking strategy by measuring the investment of time a partner makes in building external social networks and wooing potential clients. However, as we note below, we are not able to observe that behavior directly. However, we can observe the formation of relationships with new clients. As we noted earlier, one benefit of inherited clients is that they will tend to yield substantial revenue right away. By contrast, the amount of revenue that will be generated by new clients is both uncertain and likely to be smaller at the outset of a new relationship with a partner. Therefore, we think it is reasonable to assume that the relationship between, on the one hand, a partner landing a new client and, on the other, a partner’s future total book of business, while likely to be positive, is by no means certain—again, it is at least an open empirical question worth testing. Therefore, we explicitly hypothesize that landing new clients is likely to lead to a larger book of business.

Hypothesis 2: The network strategy of developing new clients (i.e. the rainmaking strategy) will increase a partner’s subsequent book of business.

Diverse partners and network strategies
Although both inheritance and rainmaking strategies may be viable in general, they may differ in their effectiveness for women and minorities. A common theme that emerges out of research on gender and race stratification among junior professionals involves social networks. For associates (non-partner professionals), formal and informal contact with key partners provides a potential range of benefits, including learning opportunities, sponsorship and visibility, and opportunities to demonstrate skills (Wilkins and Gulati 1996; Chanen 2006; Briscoe and Kellogg 2011). Once in the workforce, women and minorities often have more restricted access than white men to social networks that represent the informal structures of the workplace—including voluntary connections among colleagues that consequentially shape access to resources, learning, and advancement and career opportunities (e.g. Thomas 1990; Ibarra 1992, 1995; Fernandez and Sosa 2005).

In research on law firms, for instance, access to partners and mentoring have been shown to be important influences on career outcomes, and this may
be especially for minority lawyers (Higgins 2000; Dinovitzer and Garth 2007). For example, Payne-Pikus, Hagan, and Nelson (2010) recently analyzed the After the JD survey data to find that African American and Hispanic associates are dissatisfied with access to key partners and mentoring, contributing to intentions to leave their law firms. Kay and Hagan (1998) found that female lawyers scored lower than their male counterparts on measures of social capital that reflect professional network connections. Briscoe and Kellogg (2011) found that work assignments to powerful partners increased retention and performance bonuses for associates, and that this effect was even more important for those (mostly women) who later used work–family employee benefits. Gorman (2005) found that gendered preferences negatively affect the hiring and career processes of female junior lawyers.

In sum, social networks and associated social processes appear to be critical in explaining stratification outcomes for female and minority professionals prior to becoming partners. This is likely to be the case after becoming partner, as well. Specifically, we consider the implications for the effectiveness of the two alternative network strategies.

First, consider the inheritance strategy. In this strategy, the focal partner aims to build a relationship with a senior partner nearing retirement in order to increase the chances of gaining that partner’s clients. Yet this strategy only works to the extent that the retiring partner is inclined to pass the clients on to the focal partner. For this to occur, the retiring partner needs to feel a bond of trust—if not friendship—with the focal partner, greater than bonds with other junior partners within the firm with which the retiring partner has worked.

For women and minorities, building such a strong bond is likely to be a challenge. Much research has corroborated the existence of homophily in interpersonal relationships: the tendency for people to be drawn to and feel greater affinity for people who are like themselves in terms of race and gender (Brass 1985; Ibarra 1992; McPherson, Smith-Lovin, and Cook 2001). This tendency suggests that the retiring partners will more readily form bonds with other partners whose backgrounds are more similar to their own. Where senior partners are largely white males (such as in our research setting), retiring partners will more easily form bonds with other white men rather than women or minority partners, which poses a double-phased problem for female and minority partners. They will have a harder time forming network ties to senior partners in the first place (Payne-Pikus, Hagan, and Nelson 2010), and even where they are able to establish such ties, they may be less likely than white males to be chosen to inherit the retiring partners’ clients. Thus, we hypothesize:

\[ \text{Hypothesis 3A: The inheritance strategy will be less effective for female partners compared with male partners.} \]

\[ \text{Hypothesis 3B: The inheritance strategy will be less effective for minority partners compared with non-minority partners.} \]

As noted earlier, where the inheritance strategy is blocked—in this case by homophily effects for female or minority partners—then an alternative path to increasing client billings may be rainmaking. Yet homophily poses a challenge for female and minority partners in rainmaking as well. To the extent that client organizations are largely staffed by white males, homophily will again advantage white or male partners in rainmaking. For instance, Blair-Loy (2001), in a study of senior executives at financial services firms, documents that men experience rainmaking quite naturally, as easy personal, social interaction with males at potential clients, whereas female executives experience the personal interactions necessary to rainmaking with male clients as much more difficult and contrived. This mirrors earlier observations by Epstein (1981) and Hagan and Kay (1995) on greater difficulty in rainmaking for female lawyers. Hence we expect:

\[ \text{Hypothesis 4A: The rainmaking strategy will be less effective for female partners compared with male partners.} \]

\[ \text{Hypothesis 4B: The rainmaking strategy will be less effective for minority partners compared with non-minority partners.} \]
DATA AND METHOD

The case firm and data structure
The data for this research come from the internal records of a large US corporate law firm, and span a time period from 1993 to 2007. The firm is like many other large law firms in that its lawyers are organized into multiple departments and office locations, and nearly all lawyers are part of a conventional partnership system with a lengthy associate period followed by the possibility of promotion to partner.

We used three types of internal records from the case firm: detailed project billing records, lists of partners with responsibility for each client, and personnel records. For this analysis, panel data on individual partners are structured into partner-year observations. For each partner, our analysis includes up to 10 different partner-year observations spanning the period 1998–2007. Additional data from the earlier period 1993–7 are used in the creation of lagged historical variables as explained below. There were 200–250 partners available for analysis with complete data, generating an unbalanced panel of approximately 1,500 partner-year observations used for the analysis.

Dependent variable

*Book of business*
We operationalized each partner’s book of business in a given year by aggregating lawyer/project level billings data up to the partner who is responsible for each client. Specifically, total client billings represent the annual sum of all partner and associate billable hours associated with the clients that are controlled by a given partner. In this law firm, there is only one client responsible partner for each client, and these relationships do not change often during the study period, except when a partner nears retirement and/or leaves the firm (and those are rare events). Total client billings exhibit a skewed distribution, so we used the log of total client billings.

Independent variables

*Ties to retiring partners*
We defined retiring partners in a given year as those partners who were within 5 years of retirement or exit from the firm at that time. We then operationalized ties to retiring partners by aggregating the total number of hours that the focal partner had billed to the clients of retiring partners, from the start of available records in 1993 up to the present year. The final variable is divided by 1,000 to facilitate interpretation. Hence, this variable represents the extent of the workplace relationships that each partner has built up with retiring partners and their clients.

*New client generations*
We operationalized new client generations as the count of new clients that each focal partner had generated up to the present year. We defined clients as new if the firm’s lawyers had never billed them previously in the records extending back to 1993 (i.e. 5 years prior to the start of the study period). Using the client responsible lawyer list, each new client was assigned to a single partner who served as the responsible lawyer for that client.

*Female partner*
We used personnel records to identify female partners, and coded this dummy variable 1 for female partners. As in the partnership lists of other law firms, diverse partners are relatively rare in this dataset. Note that we have suppressed the reporting of the number of female and minority partners in the firm in order to protect the anonymity of the case study firm.

*Minority partner*
We defined minority partners as those who are identified as black, Hispanic, or Asian in the firm’s personnel records, and coded them 1 for this dummy variable.

Analysis and control variables
One common concern in analyzing performance outcomes across individuals is the need to control for differences in individual endowments. To some degree this can be done by including controls for characteristics that can be observed (such as law school status, age, experience), but then the significant problem of unobserved differences remains. To control for unobserved differences across partners that are stable over time, we predict book of
business using ordinary least squares (OLS) regressions with a fixed effect for each partner. However, by including partner fixed effects, we cannot simultaneously estimate coefficients for individual characteristics that are stable. Thus, we do not estimate direct effects of stable individual variables. As two of our variables of interest—gender and ethnicity—fall into this category, we estimate their impact using interaction terms. Namely, we interact the strategy measures (ties to retiring partners and new clients) with two dummy variables set to 1 if the partner is a female or minority, respectively.

We do include several controls for time-varying characteristics. First, we included a lagged dependent variable (Client revenues/Book of business \((t - 1)\)). In addition, to control for common influences on the book of business that are a function of the partner’s time as a partner in the firm, we include controls for tenure. We also include tenure squared to capture a non-linear effect of tenure on book of business. The independent variables and controls are all lagged 1 year \((t - 1)\).

Using this fixed-effect approach, our results can be interpreted as the average effect of changes in a given independent variable on changes in partner book-of-business outcomes, across all partners. For the models interacting partner gender or ethnicity, significant interaction-term results can be interpreted as the difference in the effect of a given independent variable, between one gender/ethnicity category and the other.

### FINDINGS

Basic descriptive statistics are provided in Table 1, and Table 2 presents the results of our regression analyses. Our first hypothesis predicted that the inheritance strategy would increase client revenues. The first model in Table 2 provides support for this hypothesis. The significant coefficient on ties to retiring partner indicates that partners who bill more hours to the clients of retiring partners increase their own subsequent book of business.

Our second hypothesis is that the rainmaking strategy—consisting of landing more new clients—will increase client revenues. This hypothesis is also supported by the results in Model 1. The significant coefficient on count of new clients indicates that an increase in the number of new clients is associated with a rise in subsequent book of business.

Our third hypothesis predicts that the inheritance strategy will not be as effective for female or minority partners. Relevant results are in the second and third models in Table 2, reporting on regressions that interact the networking strategies with the gender (Model 2) and ethnicity (Model 3) of the partner. The interaction term on female*ties to retiring partner in Model 2 supports Hypothesis 3 for gender, and the corresponding term on minority*ties to retiring partner in Model 3 supports Hypothesis 3 for ethnicity. The corresponding results are plotted graphically in Figs 1 and 2, which show the different effects of this inheritance strategy for women versus men (Fig. 1) and for minority

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### Table 1. Summary statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book of business</td>
<td>Logged total hourly billings to clients for whom partner is the responsible lawyer</td>
<td>7.40</td>
<td>1.79</td>
</tr>
<tr>
<td>Tenure</td>
<td>Cumulative years of tenure as a partner in the firm</td>
<td>11.38</td>
<td>7.77</td>
</tr>
<tr>
<td>Tie to retiring partner</td>
<td>Cumulative hours (in thousands) billed to clients of partners who were within 5 years of mandatory retiring age or of exit from the firm</td>
<td>0.10</td>
<td>0.46</td>
</tr>
<tr>
<td>New clients landed</td>
<td>Cumulative count of new clients generated, defined as clients that were never previously billed by the firm, for whom the partner is the responsible lawyer</td>
<td>15.93</td>
<td>28.10</td>
</tr>
<tr>
<td>Female partner</td>
<td>Dummy variable set to 1 if partner is female</td>
<td>[suppressed]</td>
<td></td>
</tr>
<tr>
<td>Minority partner</td>
<td>Dummy variable set to 1 if partner is black or Hispanic</td>
<td>[suppressed]</td>
<td></td>
</tr>
</tbody>
</table>
Table 2. Results of OLS individual fixed-effects regressions predicting book of business among law firm partners

<table>
<thead>
<tr>
<th>Variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client revenues ((t - 1))</td>
<td>0.31** (0.03)</td>
<td>0.28** (0.03)</td>
<td>0.31** (0.03)</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.03 (0.02)</td>
<td>0.05* (0.03)</td>
<td>0.03 (0.02)</td>
</tr>
<tr>
<td>Tenure squared</td>
<td>-0.002** (0.001)</td>
<td>-0.003** (0.001)</td>
<td>-0.002** (0.001)</td>
</tr>
<tr>
<td>Tie to retiring partner ((t - 1))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inheritance strategy</td>
<td>0.18* (0.09)</td>
<td>0.05 (0.08)</td>
<td>0.18* (0.09)</td>
</tr>
<tr>
<td>New clients landed ((t - 1))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rainmaking strategy</td>
<td>0.04* (0.02)</td>
<td>0.04* (0.02)</td>
<td>0.04* (0.02)</td>
</tr>
<tr>
<td>Female * Tie to retiring partner ((t - 1))</td>
<td>-1.76** (0.62)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female * New clients landed ((t - 1))</td>
<td>0.12* (0.05)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority * Tie to retiring partner ((t - 1))</td>
<td></td>
<td></td>
<td>-1.77* (0.88)</td>
</tr>
<tr>
<td>Minority * New clients landed ((t - 1))</td>
<td>0.07 (0.06)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>5.17** (0.22)</td>
<td>5.85** (0.28)</td>
<td>5.17** (0.22)</td>
</tr>
<tr>
<td>Observations</td>
<td>1,471</td>
<td>1,471</td>
<td>1,471</td>
</tr>
<tr>
<td>(R^2)</td>
<td>0.13</td>
<td>0.15</td>
<td>0.14</td>
</tr>
<tr>
<td>Number of partners</td>
<td>200–250</td>
<td>200–250</td>
<td>200–250</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. *\(P < 0.05\), **\(P < 0.01\).

versus white partners (Fig. 2). Figure 1 indicates that although stronger ties to retiring partners provide a small positive benefit for male partners, they actually have a strong negative effect on book of business for female partners. Figure 2 shows a similar pattern for minority partners, for whom there is a negative effect of ties to retiring partners on book of business.

Hypothesis 4 predicts that the rainmaking strategy would also be less effective for female and minority partners. The results in the second and third models of Table 2 do not support this hypothesis. The interaction term on female*new clients landed in the second model is significant, but the direction of the effect is opposite Hypothesis 4 for gender. The corresponding term on minority*new clients landed in the third model is also in the opposition direction, but is insignificant. Figure 3 shows the graphic interpretation of the significant interaction result for gender: although increases in new clients landed are associated with a rise in book of business for male partners, the steeper slope on the female line indicates that this positive effect is much greater for female partners.

It is also worth noting that the significant tenure squared variable is consistent with the notion that book of business has a general curvilinear relationship with partner tenure, initially rising at low levels of tenure and then declining at high levels of tenure.
We also conducted several additional analyses. First, we confirmed that female partners and minority partners were associated with lower average book of business in cross-sectional OLS regressions. However, we did not report those results because we are unable to adequately control for individual differences in endowments across different partners, limiting our ability to distinguish between the effects of gender/ethnicity from other factors such as detailed differences in education or social class background.

Second, we ran regressions predicting differences among partners in ties to retiring partners and landing of new clients. Using random effects Poisson regressions with controls to predict count of new clients, female partners were not associated with differences in new clients. Nor were minority partners associated with differences in new clients. Similar regressions predicting ties to retiring partners did not have significant differences for female or minority partners either.

Finally, in analysis not shown, we also predicted the focal partner’s book of business using ties to the most powerful partners as measured by that alter partner’s own book of business. Those results indicate that ties to the most powerful partners are negatively associated with the focal partner’s book of business, regardless of the gender or ethnicity of that focal partner.

**DISCUSSION**

This article examines the effects of two networking investment strategies, inheritance and rainmaking, on partners’ book of business. Consistent with our hypothesized expectations, we found that increases in both an inheritance strategy and a rainmaking
strategy were associated with subsequent increases in client billings. In addition, we found that the effects of those strategies differed in several important ways for female partners and for minority partners. First, the inheritance strategy is not only less effective for female and minority partners, but it actually is associated with a decline in subsequent client billings. Second, contrary to our expectations, the rainmaking strategy is actually more effective for female partners than for male partners. Finally, although we did not find a significant effect of rainmaking for minority partners, as with female partners the coefficient was in the opposite direction from our expectations.

We were surprised to find that for female and minority partners, the inheritance strategy was associated not just with lower increases but actually decreases in client billings. We see two possible explanations for this. First, the female and minority partners may be developing ties to retiring partners with smaller or declining books of business that limit their client inheritance potential. Second, as these diverse partners increase the amount of time they work on retiring partners’ clients, they may have less time to spend on activities that build their social networks, expertise and experience in other directions that would benefit their future book of business (Briscoe and Tsai 2013). Combined with the fact that homophily makes it less likely that these partners will inherit the retiring partner’s clients, this intensification of work for retiring partners may doubly disadvantage female and minority partners pursuing this strategy.

The greater returns to rainmaking for female partners were also a surprise to us. However, several arguments suggest that rainmaking may nonetheless be a more effective investment for female and minority partners. For one thing, in rainmaking, the focal partner can choose which potential clients to pursue. Thus, female and minority partners may choose to pursue clients with female or minority personnel, where homophily may work to their advantage. Growing demographic diversity among corporate clients, and commitment to diversity among those clients, may also be expanding the external opportunity set for female and minority partners (Beckman and Phillips 2005). Third, in pursuing rainmaking, partners draw on their social networks outside of their law firm. These personal external social networks are likely of little use in pursuing the inheritance strategy, but of potentially great help in generating referrals to new clients. Gladwell (2000) and von Nordenflycht (2011) relate similar patterns for Jewish lawyers and advertising professionals in the 1950s and 1960s who responded to a context of predominately Protestant senior partners and clients by turning to an expanding segment of Jewish clients. In fact, research suggests that underrepresented professionals in organizations tend to develop and benefit more from external social capital than internal organizational networks (e.g. Ibarra 1995; Kay and Hagan 1998; Groysberg 2008).

**Boundary conditions**

Our findings from a single case study are likely to have boundary conditions that will be important to assess in future studies. Although we are limited in our ability to generalize our results, we believe that our main findings regarding inheritance and rainmaking network strategies should apply most readily in client-service organizations where the following conditions are met: (1) an individual’s relative stature and rewards in the organization depend to some degree on attracting and controlling client revenues; and (2) organizational rules or informal norms regarding client ‘ownership’ assign significant credit for growing client relationships to individual partners (relative to client teams or the whole organization). Those conditions appear common to a wide range of professional service industries, including law but also accounting, advertising, medicine, investment banking, and management consulting. Organizations, industries, and national contexts will of course vary in the extent to which rules or norms assign client ownership to individuals. In many professional industries, so-called ‘eat what you kill’ systems that richly reward client ownership tend to be associated with strong norms of individual control. In contrast, ‘lock-step’ systems that tie pay to seniority regardless of client revenues may reduce the incentive for individuals to control clients (Gilson and Mnookin 1985). ‘One firm’ policies that emphasize shared organizational ownership over clients are intended to weaken norms of individual ownership (Maister 1985, 1993; Regan 2004). Still, individual ownership norms are likely to persist as long as...
decision-makers at client organizations prefer professionals whom they know personally and therefore feel they can trust with important matters.

Our findings concerning network strategies for female and minority partners also imply a boundary condition involving settings where junior partners are more diverse than their senior colleagues. In particular, the homophily mechanism—which appears to limit the returns to the inheritance strategy for female and minority partners—should apply most readily in firms where the senior partners available for bequeathing inheritances tend to be predominately male and white. This condition of lower diversity among senior professionals is common to a range of professional industries and national contexts (see AICPA 2006 for accountants; Bolton and Muzio 2007 for UK lawyers; and US Census 2011 for female and minority representation across other professional occupations). It is important to underscore the point that this homophily mechanism does not imply the presence of discrimination among senior partners, but rather reflects a universal tendency for affiliations to be stronger among individuals who share similar backgrounds.

Contributions
This article begins the systematic conceptualization and measurement of partner careers in professional service firms. First, we argue that differences in partner careers are essentially about the book of business that each partner is able to develop. A partner’s book of business determines his or her power and status within their firm and the wider professional field. Second, we argue that building a book of business stems from developing relationships with clients and, thus, necessarily involves social networks and strategies for building those networks. Third, we identify and develop two strategies for investing in social networks—inheritance and rainmaking—that help build this book of business. We show empirically that investments in each of those strategies provide positive returns for client billings.

Our findings also contribute to research on diversity and inequality in the professions, by examining how these strategies work differently for women and minorities. Economic stratification is increasing in the professions at all levels, including at the top (Leicht and Fennell 2001; Mouw and Kalleberg 2010). The highest earning law firm partners, for example, are outstripping the average lawyer more each year (Heinz et al. 2005; Garicano and Hubbard 2009). Within this context of rising inequality, the historical pattern of lower earnings for women and minorities appears to be persisting (Baker 2002; Kay and Gorman 2008). Recent research has deepened our understanding of the complex processes through which organizational employment practices can contribute to these differences (Fernandez and Sosa 2005; Briscoe and Konrad 2006; Kay and Gorman 2012; Bidwell et al. 2013), yet many questions remain. Our findings from this study suggest that one mechanism contributing to persisting gender and racial inequality is the relational process involving the circulation and generation of valuable client resources within professional organizations. Relational strategies aimed at those valuable client resources do not appear to benefit women and minority partners equally.

At the same time, our findings also offer some hope on this score, in the sense that rainmaking may provide a viable strategy for under-represented partners to counter the challenges associated with homophily barriers to accessing resources within the organization. In fact, as rainmaking appears to be increasingly important for organizational and individual success across professional services (Blair-Loy 2001; Coffee 2006), there may be expanding opportunities for diverse partners to counteract the adverse effects of the inheritance process.

Practical and policy implications
Our findings suggest several practical implications for managing professional service organizations such as corporate law firms. Our identification of the pros and cons of each networking strategy, as well as our findings regarding their relative ‘returns’, can help firms advise new partners about paths to success within the firm. They can also help firms assess whether one strategy or the other needs to be encouraged or discouraged, given their relative effectiveness and what a specific firm’s aspirations are in regards to both its type of client base and its types of partners.

Additionally, our findings regarding the challenges of the inheritance and rainmaking
strategies for female and minority partners raise more specific issues for professional partnerships. In general, female and minority partners in these firms do not appear to be achieving the same level of stature and power as their male and non-minority colleagues. Yet because partners are highly autonomous, many organizational levers used as tools for upper-level diversity in more traditional organizations may not be appropriate in the partnership setting.

Our findings suggest steps that might be considered by firms seeking to increase diversity in the upper echelons of the partnership ranks. First, the fact that female and minority partners appear disadvantaged in client inheritance suggests more attention to diversity in client succession. Simply tracking and summarizing patterns of client inheritance across departments and offices may precipitate changes in behavior among partners, as they become more aware of homophily tendencies and their aggregate consequences for the demographic composition of the senior partnership. Going a step further, for firms that are developing processes to broaden client relationships from individual partners toward teams of partners, attention to lawyer diversity could be built into those processes.

Second, our findings regarding the beneficial effects of rainmaking for diverse partners suggest focusing attention on diversity within the domain of new client development. In particular, as firms increasingly fund and empower rainmaking efforts, they may recognize the particular benefit of those activities for the career development of female and minority partners. Supporting diverse junior partners by enhancing their rainmaking abilities may yield a double payoff in terms of the firm’s overall revenue as well as diversity goals.

These findings also raise parallel issues for professional governing bodies, such as the American Bar Association, that are interested in policy goals related to diversity within the profession. For example, the fact that rainmaking helps diverse junior partners suggests that programs to support minority lawyers might be particularly well served by focusing on the purchasing decisions of client organizations.

Limitations and future research
Our findings suggest an array of promising directions for future research. First, although our analytic strategy uses individual fixed effects to control for unobserved differences between people in their baseline human capital endowments and backgrounds, future studies should explore how differences in those baseline factors—such as status and years of experience, as suggested by Hitt et al. (2001)—may shape the networking strategies we documented. For example, do rainmaking strategies benefit individuals who can signal expertise or status with elite educational credentials? Conversely, do inheritance strategies offer more benefit for individuals who lack those signals, but can otherwise convey their expertise through collaboration? Is the payoff to the rainmaking strategy relatively better for partners whose expertise is more easily demonstrated to prospective clients?

Similarly, it will be fascinating to explore how networking strategies evolve over the career itself. Although we control for the (curvilinear) effects of partner tenure, and our findings are also robust to the inclusion of partner age, future work could explore how the payoffs to each strategy evolve over the course of a partner’s career. For example, does inheritance provide a better strategy for partners earlier in their careers? Does rainmaking become more feasible later on, after partners have built up more expertise and experience? Is there an optimal sequencing of strategies over time? A related issue is the nature of specialization in these strategies, as investing in one strategy may limit a person’s bandwidth to invest in alternatives. Can simultaneously pursuing both strategies pay off, or is that a recipe for losing both the internal competition for inheriting existing clients and the external competition for growing new clients?

A range of organizational factors may also influence these networking strategies. Beyond the two boundary conditions we noted earlier—the importance of client revenues to success, and norms regarding individual client ownership—there are other differences across firms that could be explored. For example, the extent of inequality among partners in a professional organization, or in a given office or department, may influence the relative effectiveness of the networking strategies. When rewards and stature are based on control of client revenues, greater inequality implies that a few senior partners control a larger portion of the firm’s total
client revenues—and thus those partners are likely to each have many junior partners working ‘for’ them on their client accounts. In this high-inequality scenario, there will be more competition among the junior partners angling for inheritance, potentially making the inheritance strategy less attractive relative to the rainmaking strategy. Conversely, organizations with lower levels of partner inequality may be more conducive settings for the inheritance strategy.

Recent trends in professional industries also need to be considered in future research on partner careers. For example, clients appear increasingly willing to part ways with professional service organizations with whom they have had historical relationships—and at the same time, professional service organizations themselves are increasingly competing by hiring ‘lateral’ partners (and their clients) away from rival firms (Citi-Hildebrandt 2013). Those trends suggest intriguing implications for the inheritance and rainmaking strategies. For example, how do declining client loyalties shape opportunities for junior partners to pursue the rainmaking strategy, to attract new clients from rival firms? On the flip side, does the rise in client and partner defections increase the risk of the inheritance strategy, as senior partners decamp with their clients but leave former colleagues behind? With these questions, we hope to have indicated just a few of the many enticing opportunities for further research on professional partner careers.

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NOTE
1. Note that in our article we follow common usage in referring to ‘female and minority partners’, but that should not obscure the unique experience of women of color—of whom there are too few to analyze in our data—nor deny the importance of differences within and across racial and ethic groups.

REFERENCES


