

Solving the Great Partner Compensation Puzzle – Promoting Teamwork (Part 2)

By [Michael D. Short](#) on January 23, 2013

In my [last blog](#) I introduced a series focused on the ability to solve the “teamwork puzzle” in a law firm and the role that the compensation system plays in the solution. I suggested that any partnership’s ability to solve this challenge depends upon the answers to three important questions related to setting compensation. Recall that the first question was:

Is the goal of your compensation setting process only to retrospectively divide the profit pool as fairly as possible OR to divide the profit pool as fairly as possible and prospectively incentivize growing the profit pool (i.e., the pie)?

It is now time to introduce the second question in this series:

Must you set compensation based on the premise that all Partners are equal in their abilities and must be evaluated in relation to a conceptual “Ideal Partner” OR does each Partner have recognized strengths to be exploited and weaknesses to be either developed or avoided?

Many Partnerships have a comprehensive description of what an “Ideal Partner” is or a detailed list of characteristics that are universally used to admit Partners. In theory, this is a fine way to establish admission expectations and create consistency across what should be an exclusive, difficult-to-get-into club.

We also see many Partnerships that take the same “Ideal Partner” concept and apply it to the allocation of profits. In theory, this makes sense because the same characteristics that are used for admission to the club should also be used for profit allocation within the same club...right? In some firms this approach works. For others, however, the net effect of this is that all Partners must focus their time on the same tasks and be judged and rewarded in relation to a *potentially unrealistic* “Ideal Partner”...and then to each other. The underlying assumption here is that all Partners are equally capable with the key tasks needed to be a successful Partner. If this is true then a healthy, externally-focused competition usually ensues. If this is not true, then a solid role player may be forced to do things that appear to be in his/her best interests but run contrary to the firm’s needs.

For example, many Partnerships have a small segment of good rainmakers, a majority of decent rainmakers, and a small subset who are good lawyers but cannot make rain under the easiest of circumstances (for any number of valid reasons; these are not necessarily “bad” or “lazy” Partners). This talent naturally comes to some while others struggle mightily with the responsibility. When a poor rainmaker feels the need to develop business to be successful, expect many small clients, lower realization, very modest profitability from the practice, and sometimes a silly client conflict within a few years that costs the firm a great opportunity. Concurrently, when a great rainmaker in the same firm goes into the market and develops opportunities, yet has to work them all personally because other Partners are equally focused on business development, prospective clients who could easily be brought into the firm are left for others due to unnecessary time constraints. If you see this scenario in your Partnership then the “Ideal Partner” concept is not working to the benefit of the firm as a whole.

Here’s the link to teamwork – successful teams have a group of players who know their strengths and weaknesses,

understand their roles, focus on their assigned tasks, and help each other. Everyone wants to have the recognition and the money of a star pitcher or quarterback but only a few truly possess the skills. If all team-mates spend their time trying to unseat those key players – even if they don't honestly have commensurate skills – then the team is distracted by internal issues and grossly underperforms. If, however, all players focus on their positions and perform to the best of their abilities then the team succeeds AND the players thrive individually and collectively.

So let's return to our two Partners. The obvious better approach is to tell the origination-challenged Partner to work with the great originator as a team. The message to the first Partner is that "we want you to focus on your strength, which is solid technical lawyering, so your Partner can get out from behind the desk and bring in more clients. This is the best use of your respective skills and we will recognize both of your different types of contributions at the end of the year. The compensation committee will recognize the specific contributions that the firm needs from each Partner to succeed at a higher overall level."

Implementing this concept in a Partnership full of type-A, driven lawyers is no easy task. It requires strong leadership that can deliver honest evaluations, candid discussions, specific direction on targeted tasks, and commensurate monetary rewards if these tasks are addressed in a proper manner. It also requires a new perspective on compensation that focuses on each Partner's personal goals, performance against the goals, and the resulting desire to move that Partner up or down based on that person's contribution in relation to past contributions...not to the contributions of other Partners or the "Ideal Partner". The context for compensation decisions shifts from how all Partners are doing in relation to each other to how each Partner is doing in relation to him/herself.

Are there firms that currently use the "Ideal Partner" model to set compensation and do well? Of course there are. There are also many more firms that are trying to get to a higher performance level by issuing a memo to all Partners that urges each to bill 50 more hours (which rarely works) because they are all equally capable of doing so (they are not). The alternative is to re-think the system and put each Partner in a position of "best-use" and "highest value to the firm".

Do you have frustrated role players who are trying to be stars but with little hope and poor results? Do you have frustrated stars who should be even bigger stars but for the fact that they cannot get the proper support from other Partners to grow their practices? Is your compensation system hindering teamwork? Probably so.

There is still one more key question to address as we evaluate the linkage between compensation and teamwork. Stay tuned.