

Solving the Great Partner Compensation Puzzle – Promoting Teamwork (Part 4)

By [Michael D. Short](#) on March 21, 2013

In my last three blogs I have been 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.

The first question ([Part 1](#)) 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)?”

The second question ([Part 2](#)) was,

“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?”

The third question ([Part 3](#)) was,

“Based on the current level of focus on credit and internal score-keeping at your firm, would you say that your Partners are in competition with each other internally OR in competition with other law firms externally?”

As is likely evident, I clearly think that the condition set forth in the second part of each question (after the “OR”) is far more conducive to teamwork. By extension, the more questions where the second condition exists, the higher the likelihood of teamwork being supported by the firm.

Is it possible that teamwork exists within firms where these ideal conditions are not met? Of course it is. I know of one purely formulaic firm where personal production is by far the most heavily featured compensation factor, yet teamwork is the “norm”. Sometimes culture and an esprit-de-corps trump the system and teamwork exists in spite of the apparent roadblocks. These situations are, however, rare exceptions to the easily predicted results based on the responses to these questions.

Is it possible for a firm that currently operates under the first condition of each question to quickly move to the second condition and completely revise each Partner’s behaviors and the firm’s culture in a short period of time? It is rare, but I have seen this recently.

I was called into a firm recently to help them with their formula. The mere fact that they were operating under a formula basically puts them under the first condition of each question, so my expectations for major changes were modest when we started.

To my surprise, I found:

- A very strong market position, based on the reputations of the individuals
- A great client base that was barely cross-sold
- An incredible amount of trust among and between the Partners
- A great level of trust in the leader of the firm
- Major frustrations with how the formula made the Partners behave
 - Involving other Partners in matters was not rewarded, so it didn't happen
 - Partners had to keep their hours up so obvious new business opportunities were ignored
 - When new business was pursued, it was always by only one Partner in order to avoid discussions about "credit"
 - Senior Associates who were highly valued by clients were dropped from client relationships as soon as they made Partner...much to the confusion of the clients

I made no assumptions with respect to how much change this firm could handle but I did describe a practice wherein all of these frustrations and concerns disappeared and the lawyers were free to collaborate, cross-sell, and behave as one big, externally focused team. The reason this was possible was their level of trust in the firm's leader and also in those who *would* make compensation decisions.

In less than one year, we dropped their formula and installed a highly subjective compensation system. There were points of significant angst and concern along the way, but we did it. Even before the first compensation cycle was finished, several unofficial rules developed from within the Partnership, including:

- No Partner goes to a meeting with a client without another Partner – either in the same practice or in another potential practice area for the client
- No Partner works on any important matter without at least having the eyes of another Partner on the work product
- Everyone has a weakness/area in need of improvement, and those will be discussed to make the Partnership stronger
- No one worries about "credit" within the firm because it's the compensation committee's responsibility to know who is doing what...and they do

The turnaround has been amazing. Internally, the Partners are truly happy. They are practicing in a manner that they always wanted but didn't think possible. Relationships between and among Partners are tighter and the firm has become more of a teaching/learning organization because of the rampant collaboration that now occurs.

Word on the street is that this is now a fun, progressive firm so high profile lateral candidates are calling regularly to see if a move makes sense, and some have. The firm can be more selective now.

Most important, however, are the comments heard from clients. They notice and like the new look of the firm. They see the breadth of the practice on display with every meeting and they appreciate the involvement of other area of law experts in their matters without feeling like their work is at the bottom of the to-do list of the newly involved Partners. They feel more like clients of the firm, even though each client still has a relationship Partner.

I should also mention that this firm easily beat their budget last year and will do so again this year.

Such a radical remake of a firm in a short period of time is truly exceptional. Taking progressive steps toward more teamwork within any law practice is not. Take a moment to honestly determine a) which condition in each question your firm meets, b) which condition is possible and beneficial to clients, and c) how to move forward. Your biggest threat may not be that you don't improve – it may be that competitors do.

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The LawVision Group has launched our [***2013 Partner Compensation Systems Survey***](#). Details on our workshops on Partner Compensation in June will follow soon.