

Solving the Great Partner Compensation Puzzle – Promoting Teamwork (Part 1)

By [Michael D. Short](#) on December 18, 2012

In many informal chats with Managing Partners, we are asked, “How can we incentivize teamwork at our firm?” We usually find that within this simple query lies a far more complicated, nuanced question that can be re-stated as follows – “Within our retrospective compensation system, wherein all Partners are judged against a common list of performance characteristics... and the very nature of this individual-focused exercise naturally promotes comparisons of relative contributions and therefore competition and personal score-keeping among my off-the-charts, type-A skeptics and change-averse doubters...how can I incentivize a key to our strategic success – teamwork – without ripping the place apart or getting impeached?”

Some firms have a culture of teamwork and the Partners act in a manner that naturally supports group efforts even though, in many cases, the compensation system is not aligned with this specific goal. Most firms, however, require some extra emphasis or incentive for any acts of teamwork or collaboration to appear.

We know of Managing Partners who have tried giving bonuses to successful teams – only to find that the leader of the team cannot divide the bonus pool among team members in a manner that even remotely makes sense, and the team then disbands. Others try to award some measurable amount of billable credit for team efforts – only to find that valuing these efforts generates a never-ending maze of valuations and credit awards for an overly broad range of contributions. These examples illustrate the key challenge to rewarding teamwork – how to reward group activities via a compensation system that is focused squarely on an individual and that person’s contributions?

The ability to solve the “teamwork puzzle” in any law firm depends upon the answers to three important questions. (Teaser alert – you will get the first question in this article and the others will follow in subsequent posts.)

So let’s start to dissect the issue with teamwork solution question number one – *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)?*

“Pie growth” is an oft-overlooked and incredibly valuable aspect of compensation systems. Far too many firms view the goal of compensation-setting as simply “making as many people as happy as possible”, which a) often leads to poorer performers being overly-compensated at the expense of the generous, strong performers who “leave money on the table” for the good of the firm, and b) ignores a golden opportunity to set performance goals and expectations for the firm and for each lawyer and staff member (one of which can be a defined role on a team) and then make the performance against such pie-growing efforts a factor in compensation.

Lawyers like to know what the “rules” are for setting their compensation (even in the most subjective of compensation systems). You may be missing a great chance to give each lawyer some specific new “rules” that will direct parts of his/her behaviors relating to billable or investment time over the coming year toward a team-oriented goal or two that will materially grow the pie beyond the sum of all Partners’ *individual* contributions. This is usually achieved by assembling teams and giving them a specific goal, such as a) strategically pursuing, landing, and then servicing large matters for large

clients – ideally across multiple practice groups or service lines, b) developing a market presence within a targeted industry or client-type, or c) creating a new work process for commoditized work that produces higher profits from declining revenues. Significant successes with any of these examples require the teamwork that the Managing Partners ask us about.

In my next two posts we will explore other factors that impact the ability to promote teamwork via the compensation system and I will then wrap up this series with a real example of a partnership that “get’s it” and is reaping great professional and personal rewards as a result.