FM30: Rethinking Partner Compensation in a Changing Marketplace

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Over 25 years of experience in law firm and law department management, compensation, marketing, business development, strategy, product management, legal technology, and sales

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Why compensation?

If your compensation plan conflicts with your strategy, your compensation plan is your strategy.

Two of our partners are generating high fees without billing very many hours. As a consequence, we’re paying them far too much and other partners are complaining. We’re considering removing a number of equity points to be fair to the others.

I achieved success the old-fashioned way.

Managing Partner
Old, Older & Oldest, Ltd.

“I achieved success the old-fashioned way.”

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I brought in our top client. Or inherited it. Or grew it. In any case, I now own it. Without my client, nobody would have any work to do. Pay me more, or my client and I are leaving.

Johnny “Rain” Maker
Top Dog & Proud, LLC
“I don’t know how to put this, but I’m kind of a big deal.”

Why compensation?

My immense expertise keeps us in business. If I’m not here, all the winning and dining with clients won’t matter. Pay me or someone else will.

Guru Partner
Lief, Amie & Lone, LLP
“I don’t like to brag about my skills. That’s your job.”
Why compensation?

We’re happy to put in our time and earn a smaller piece of the pie. But we need to see a clear path to success or we’ll be forced to explore our options.

Young Partners
White, Olde & White, LLP
“I believe that children are our future. Teach them well and let them lead the way.”

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Why compensation?

I spent years building this firm while senior partners enjoyed the fruits of my labor. Now it’s my turn to get paid.

Senior Partner
Dunmna Theim, PC
“We built this city.”

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Question #1

My partner compensation plan drives, not just rewards, desirable behavior.
Question #2

My plan supports and advances my firm strategic priorities.

Question #3

My partners rarely complain about inequitable treatment.
Question #4

My partners and leaders know exactly what partners are being paid to do and deliver.

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Question #5

Profitability is a top factor in awarding compensation.

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Question #6

My leaders rarely have to urge partners to act “for the good of the firm” rather than for themselves.

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Question #7

My partners receive regular feedback on how well they’re performing against goals or expectations.

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Question #8

It’s easy to prepare the necessary reports for the annual compensation review process.

Question #9

Our partners, both young and old, proactively embrace the actions necessary for succession planning.
Question #10

When recruiting lateral partners, we can easily slot them into our current comp hierarchy without too much hassle.

Why Compensation?

It’s the responsibility of management to align what’s good for the partners with what’s good for the partnership.
What do we reward?

Intangibles
- Matter management
- Billing tasks
- Mentoring
- Recruiting
- Firm/Practice management
- Community involvement
- Firm mindedness
- Don't be an asshole

Origination (results not effort)
Hours/Cash

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Where should we start?

- Desired Behaviors
- Processes
- Methodology

Identify desirable behaviors

- Baseline Expectations
  - Quality service
  - Respect
  - Promote firm
  - Mentor others
  - Community

- Personal Production
  - Generate and collect profitable billings

- Client & Matter Management
  - Actively maintain and grow client revenue and profit
  - Succession planning

- New Business Development
  - Originate new client revenue and profits for yourself & others

- Firm Governance
  - Fulfill designated governance & management roles

- Practice Innovation
  - Actively join in and lead innovation projects

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Sample desirable behaviors
• Delegate work
• Secure higher hourly rates
• Decrease write downs
• Use alternative pricing
• Develop/mentor others
• Post and release time entries
• Properly categorize matters and clients
• Regularly review financial reports and dashboards
• Bill clients regularly and timely

Identify today's rewards
- Baseline Expectations
- Personal Production
- Client & Matter Management
- New Business Development
- Firm Governance
- Practice Innovation

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Address the gaps

Baseline Expectations  Personal Production  Client & Matter Management  New Business Development  Firm Governance  Practice Innovation

Note variable potential

Efficiency and leveraging  Innovation and distinction

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Note variable potential

- Strategic
- Important
- Repetitive

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Note variable potential

PROCUREMENT HAS BEEN INVOLVED IN PURCHASING LEGAL SERVICES FOR:

- 50% 3-4 Years
- 25% 1-2 Years

41% of the budget for outside legal counsel is influenced by procurement.

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High performing teams are comprised of individuals with unique talents and skills coming together to deliver an output that's greater than the sum of its parts.
Drive new behaviors

Motivate

- Incorporate data and matter profits in partner compensation
- Actively remove clients with low profitability
- Devise long-term strategy with profit targets

Build in flexibility
Implementation priorities

- Build buy-in from leadership
- Assess current state of data and perceptions (*hint: management is always wrong*)
- Consider branding/combining re-engineering efforts
- Crowd-source the desired behaviors
- Triage the desired behaviors
- Design a plan to drive/reward the desired behaviors
- Thoughtful rollout

Implementation risks

- Relying on management perceptions to drive redesign
- Working in isolation
- Pursuing/allow an opt-in model
- Ignore/carving out egregious behavior
- Forgetting to balance short- and long-term
- Under-communicating
- Rushing the implementation
Perfection not necessary

Thank you!

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The Reckoning™ Partner Compensation Assessment
FreeStyle™ Executive Committee Business 101 to 401 Workshop
Clarity MarketingBD™ Assessment
Legal Lean Sigma &Project Management Workshops
Building a continuous improvement P+ EcoSystem™
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