



# Not all Partners are Created Equal

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2012 Redwood Analytics® User Conference  
**Analysis. Insight. Action.**

## Key Discussion Items

- The “Creation” of Partners
- Types of Partners
- The Importance of a Proper Compensation System

# The “Creation” of Partners

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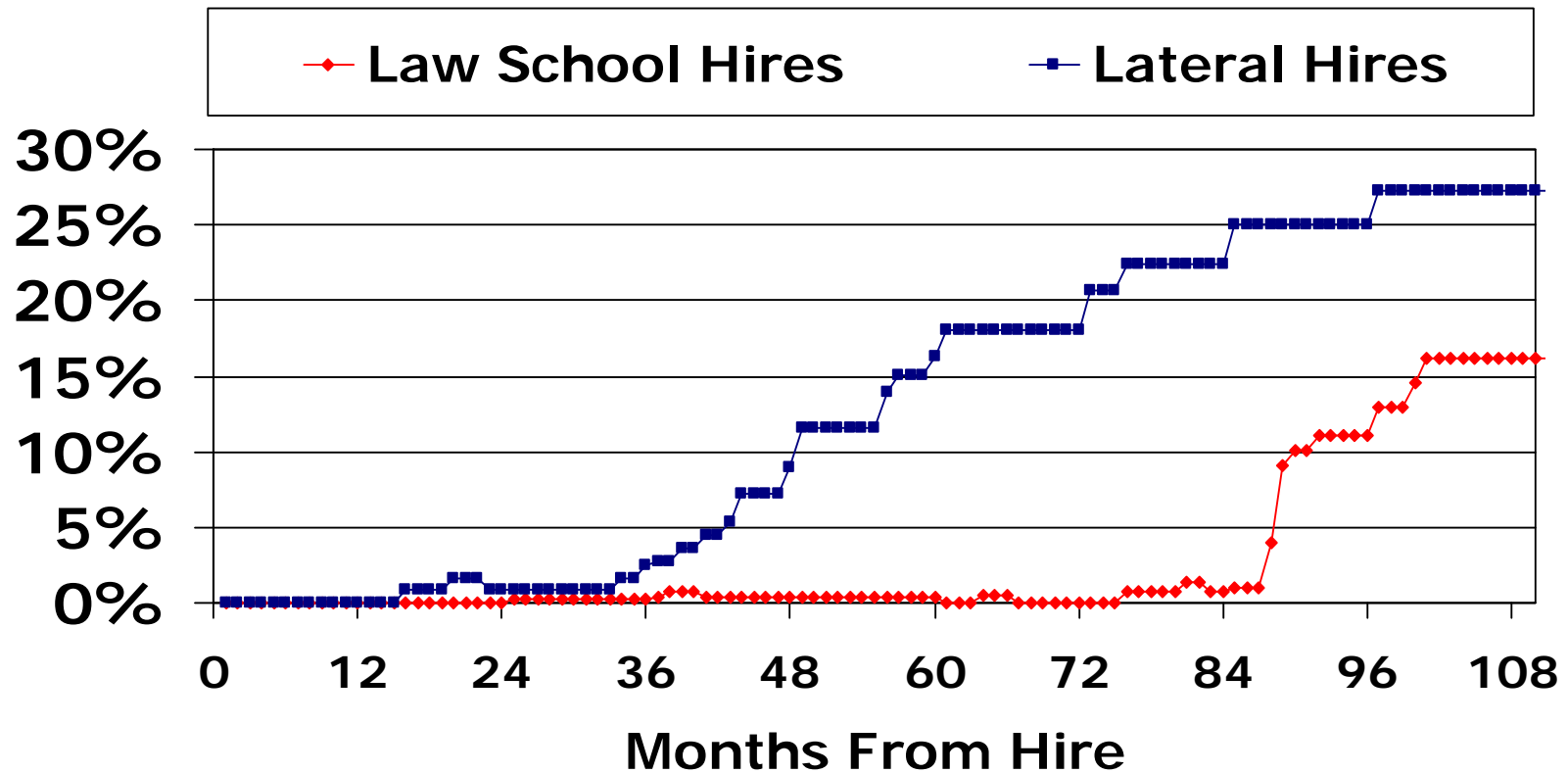
# A Shift in Goals and a Shift in Need

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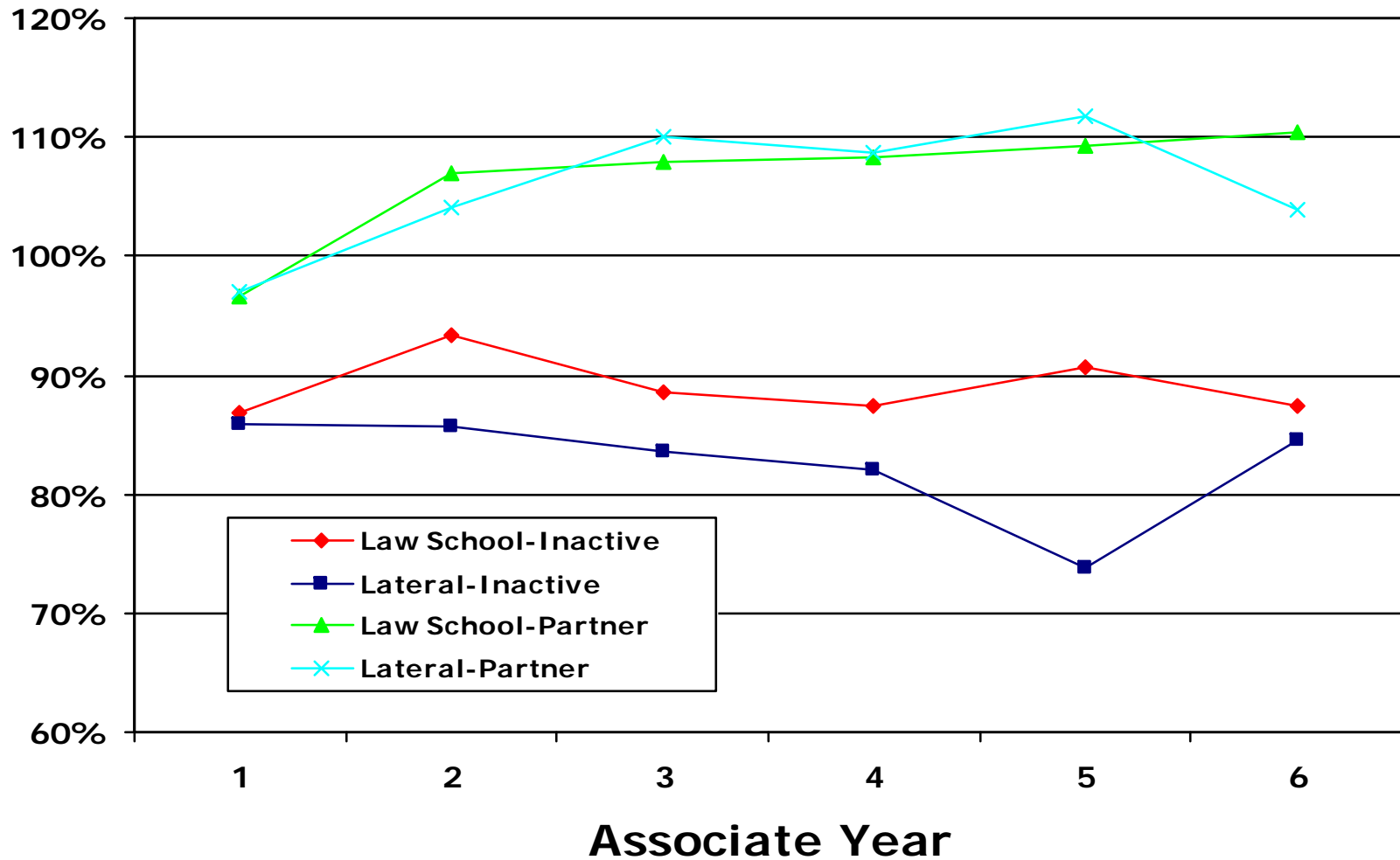
- The days of the 7 – 10 year partner track time frame is over
- The days of the up or out system is over
- The new class of associates are questioning the allure of partnership
  - Rate of attrition is the highest ever
    - 37% within 3 years
    - 77% within 5 years
- The law firms are questioning the validity of organic growth
- Underperforming partner turnover

# Who Makes Partner? – 2007 Study

From a sample office



# Markers of Success - Utilization

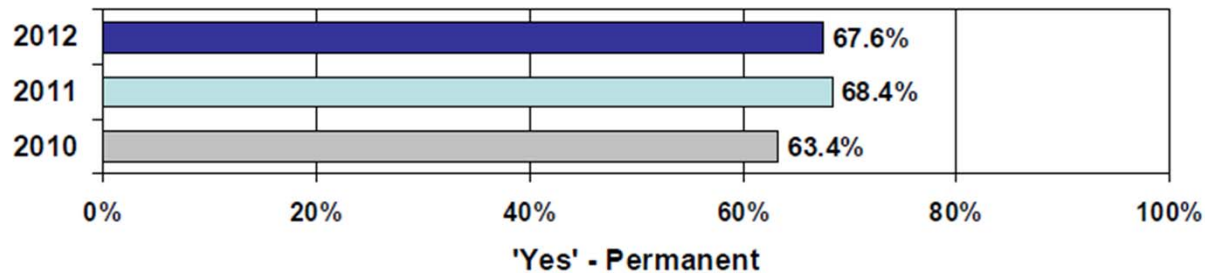


# Firm Dynamics

'Yes' - Permanent Change	2009	2012
More price competition	42.4%	91.6%
More commoditized legal work	25.5%	83.6%
More non-hourly billing	27.9%	80.0%
Fewer equity partners	22.8%	67.6%
More contract lawyers	28.3%	66.2%
Reduced leverage	12.1%	57.7%
Smaller first year classes	11.4%	55.4%
Lower PPP/Slowdown in PPP	13.2%	47.7%
Outsourcing legal work	11.5%	45.5%
Lower / Hold line on associate comp	9.5%	21.5%

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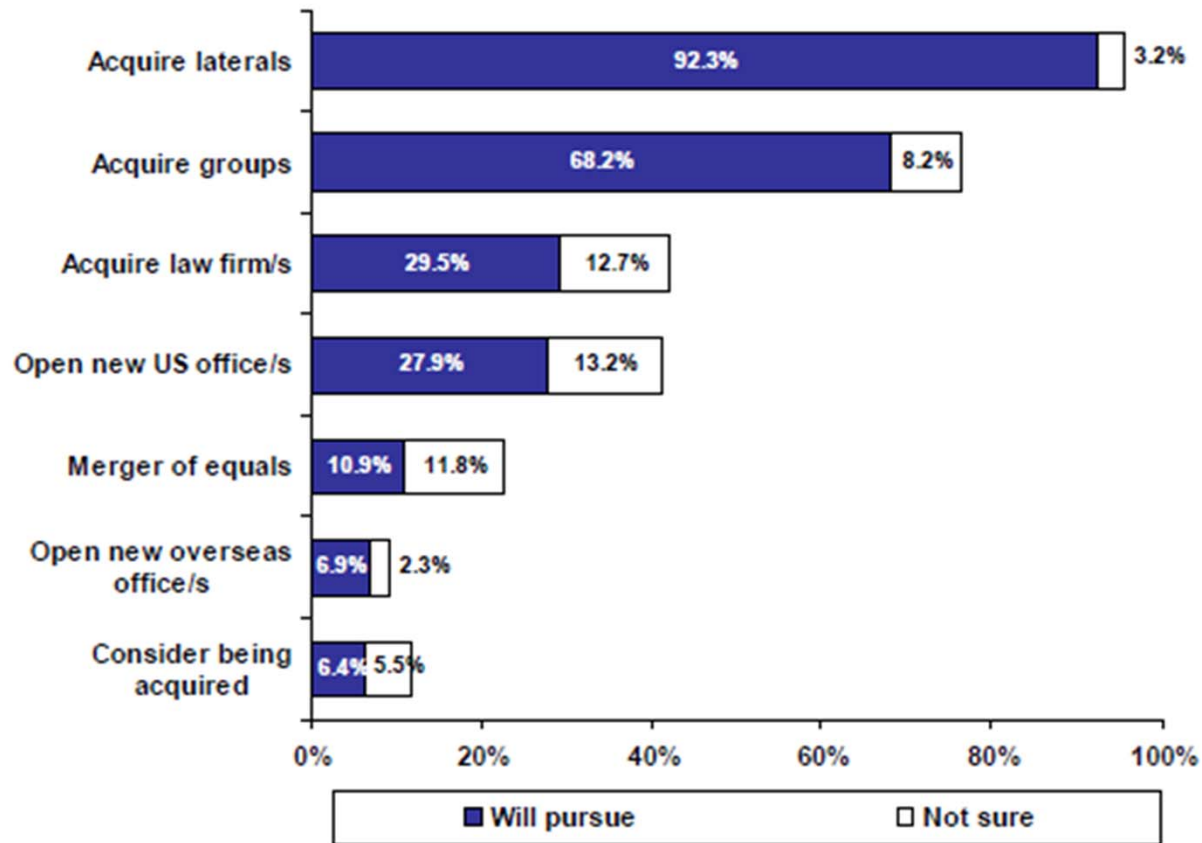
Do you think fewer equity partners will be a permanent trend going forward?



# Firm Dynamics

## Law Firm Growth - 2012

What growth options, if any, will your law firm pursue in 2012?





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## In Summary:

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### **Law Firms:**

1. Are seeing fewer equity partners as a permanent trend
2. Do not have the partner turnover they would like
3. Have associates that are not incentivized like the past
4. Trying to mine the middle ground where they can grow appropriately

### **Some things to consider:**

1. With a lack of associates looking to be the next leaders, how can a firm grow organically? What about succession planning?
2. How can successful lateral growth be maintained?
3. Is the idea of a true “partnership” coming to an end
4. Will apprenticeship and mentoring programs tether these outstanding questions?

## The “Types” of Partners

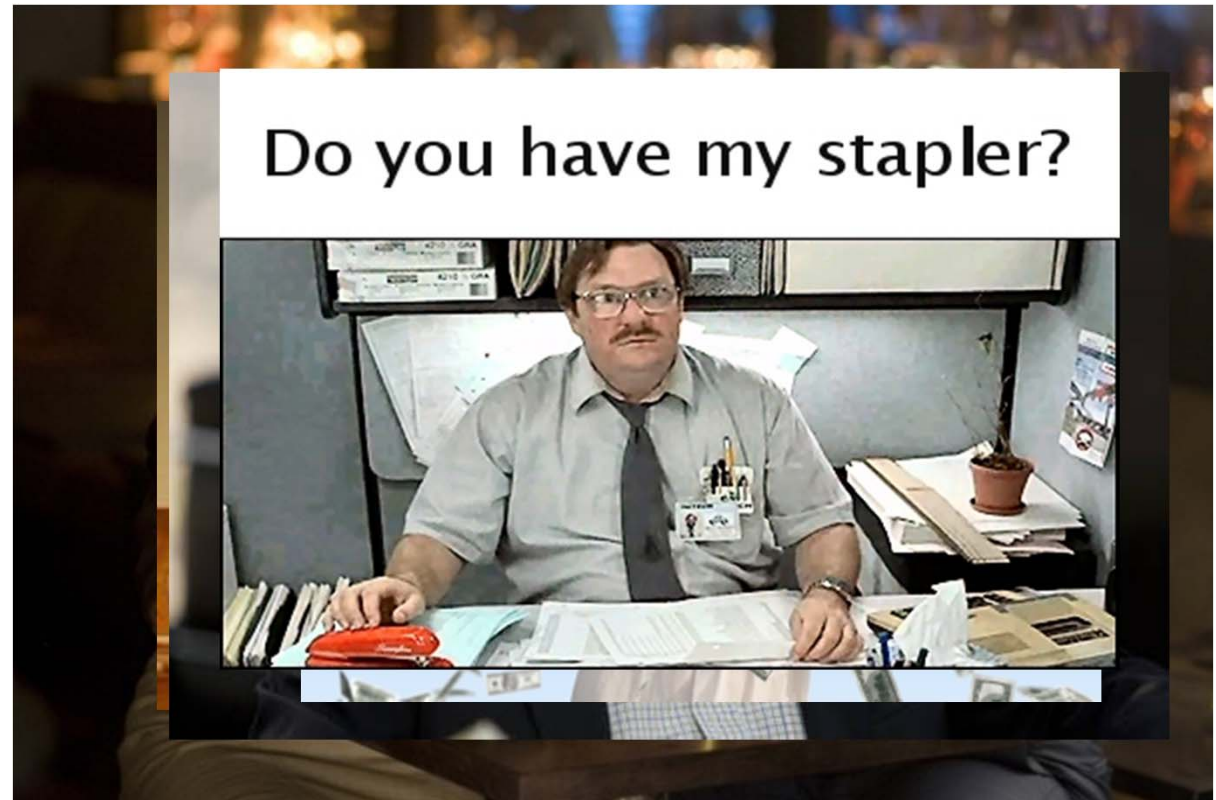
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# From the “Bitterlawyer.com”

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## A Little Humor

1. The Cool Guy
2. The Cliché
3. The Aloof Genius
4. The Rainmaker
5. The Jackass



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# The Three Types of Partners

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1. The Rainmaker
2. The Service Partner
3. The Hybrid

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# The Three Types of Partners

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## The Rainmaker

Spends most of his or her day networking, meeting people, building a name and **bringing in business**. Without these partners there is no firm

**Needs** – High Compensation, Recognition and “Say”

## The Service Partner

Has a special expertise and is many times the key contact for clients

**Needs** – Commiserate compensation and not to be bothered by business

## The Hybrid

A jack of many trades who can bring leadership qualities and expertise

**Needs** – Appropriate compensation and an avenue for growth

# The Importance of a Proper Compensation System



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# The Importance of a Proper Compensation System

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“Mission No.1 is to Preserve the Partnership”

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# The Importance of a Proper Compensation System

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Preserving Profitability = Preserving the Partnership = Preserving the Firm

Profitability = Compensation Levels = Threshold for Happy Partners



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# The Importance of a Proper Compensation System

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- Incentivize partners to create revenue for the firm, either through new clients or growth from existing clients
- Create a system that rewards partners for behavior that is consistent with owners of a business, not employees of a business
- Create a system that rewards a collaborative effort that produces high quality results for clients
- Create a system that meets the needs of all the key types of partners

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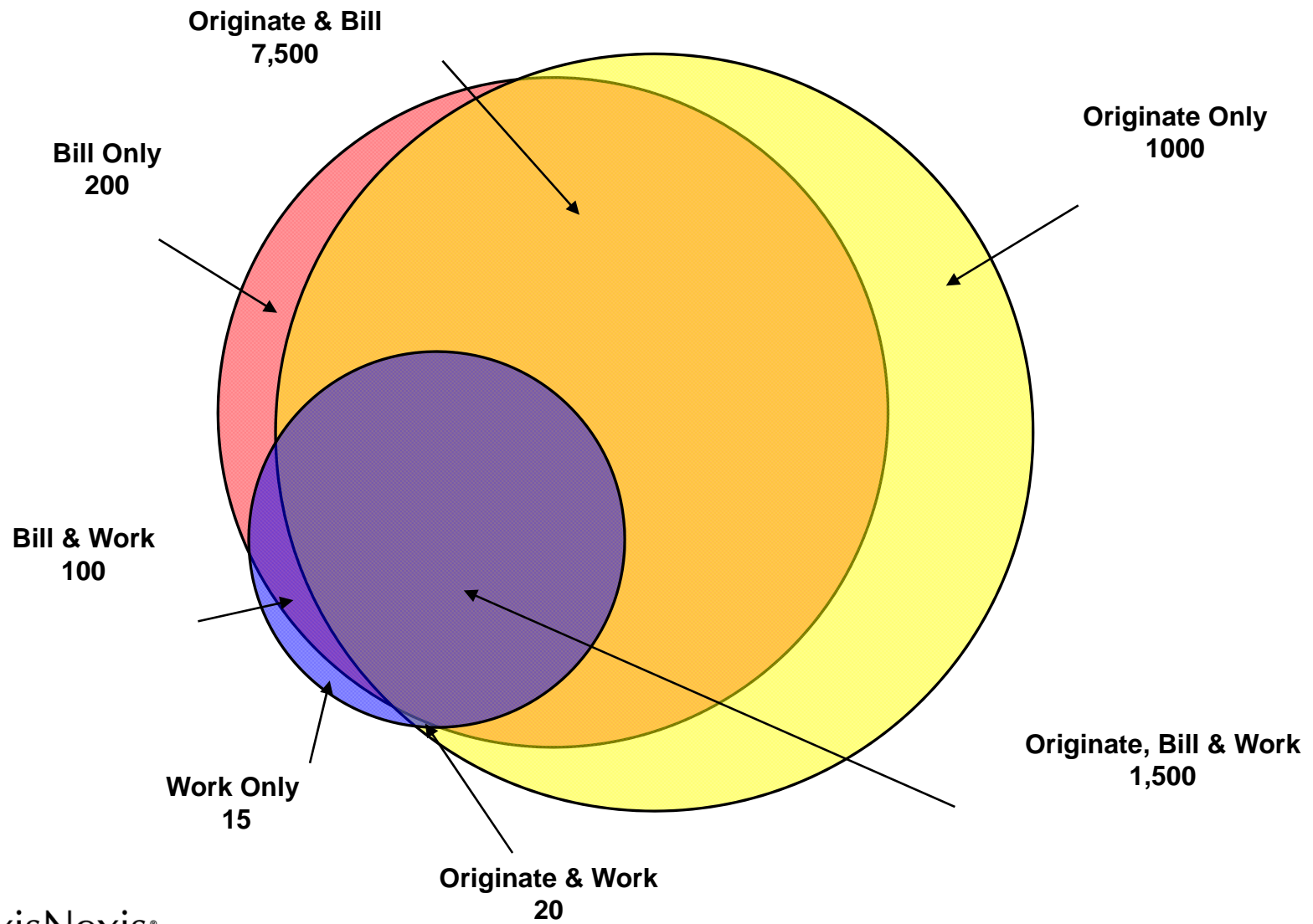
# The Importance of a Proper Compensation System

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## **What do we compensate partners for?**

- Work effort
- Originations
- Client relationship management
- Cross-selling
- Firm management
- Providing work to associates
- Subjective results (good lawyer, team player, role model)

# Composition of Partner Hours



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## What do you do?

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**Look at everything from every angle and try to fit it all in one happy little comp system designed with no real reasoning behind it?**



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# What do you do?

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**Give up and guess?**



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# What do you do?

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## Smart Score carding



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# Scorecard Approach

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First and Foremost:

***You need to establish goals and metrics  
for each type of partner***

1. Not everybody will fit into one rank
2. Do not try to fit everybody into one system

Secondly - for each type of partner:

1. Establish the core metrics to be analyzed
2. Set realistic goals
3. Set stretch goals
4. Don't hesitate to add subjective criteria and ranking associated

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# Scorecard Approach

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## Examples of Metrics by Partner Types

### The Rainmaker

- Client originations over the last 3 years
- Profitability of work performed on originations
- Cross selling efforts
- Capacity of the department

### The Service Partner

- Number and profitability of hours worked
- Work on Strategic Cases
- Client Satisfaction with Outcomes

### The Hybrid

- Overall Department Profitability
- Book of business growth and makeup
- Leadership and mentorship of key associates



# Metrics and Score Criteria

Each metric can carry different weighting

Partner Objectives	Weight	Possible Metric	Metric Detail	SCORE CRITERIA (Annual)						
				Poor	Desired	Stretch	0	3	6	8
Build the Firm		Subjective								
Originate New Business		Hours origination new clients ORIG	For matters where the partner is the originating attorney, hours for clients new to the firm in the last 12 months	0-119	120-1199	1200-2399	2400-3599	3600+		
Identify Needs of Existing Clients		Cross sell count CRM	For clients where the partner is a CRM, the average number of sections performing work (minimum of 25 hours)	0-1	1.01-1.49	1.5-2.49	2.5-3.49	3.5+		
Manage Client Relationships		Hours owned CRM	Billable hours for matters where the partner is CRM	0-1199	1200-2399	2400-5999	6000-11,999	12,000+		
		Hours managed PM	Billable hours for matters where the partner is PM	0-1199	1200-2399	2400-5999	6000-11,999	12,000+		
		Realization CRM	Billing realization for matters where the partner is the CRM	0-74.9	75-84.9	85-94.9	95-99.9	100+		
		Margin CRM	Direct Margin (client view) for matters where the partner is the CRM	0-29.9	30-49.9	50-59.9	60-69.9	70+		
Provide Work to Associates		Associate Capacity	For associates for whom the partner is the supervising attorney, associate capacity relative to standard hours	40+	20-39.99	0-19.9	(0.1) - (100)	-		
Keep Clients Satisfied		Two year attrition CRM	Average two year attrition rate for the clients where the partner is the "CRM" attorney (clients no longer providing work after 2 years)	(100)-(50.1)	(50)-(25.1)	(25)-(.1)	.1-100			
Contribute Billable Hours		Hours Worked	Billable hours worked	0-1189	1200-1559	1560-1799	1800-2159	2160+		

# Scorecard Example

## Sample Rainmaker Scorecard

Partner	Partner Name	Subjective (Average)	Hours Worked	Hours Owned CRM	Hours Origination New Clients ORIG	Hours Managed PM	Cross Sell Count CRM	Realization CRM	Two Year Attrition CRM	Associate Capacity	Average Weighted Score
01096	Brown, Sanford M.	6	10	10	10	10	3	6	3	6	6.7
01278	Bopp, Gregory M.	6	3	10	3	8	10	6	6	3	6.7
00916	Hunt, Martin J.	6	8	8	3	6	6	3	3	6	5.7
03618	Rainero, Julian	6	8	8	6	8	3	6	0	3	5.1
00058	Vest, Jr., G. Waverly	6	3	6	3	6	6	6	3	3	4.9
00308	Adkins, Thomas W.	6	6	3	0	3	6	10	6	3	4.6
03013	Anderson, William S.	6	6	6	3	6	6	6	0	3	4.7
01588	Gonzalez, George Y.	6	6	6	6	3	6	3	3	3	5.5
00115	Luedke, IV, William T.	6	3	8	3	3	6	6	3	3	5.2
00762	Long, Geoffrey A.	6	0	6	3	6	6	6	3	3	4.6
00141	Brantley, John R.	6	0	6	6	6	6	6	3	0	4.9
00408	Dade, William C.	6	0	3	3	6	6	6	3	6	4.1
03228	Telle, Michael S.	6	0	6	6	6	3	6	0	6	4.1
01041	Orloff, Gary W.	6	0	3	6	6	3	6	6	0	4.3
00641	Gutermuth, William D.	6	0	6	3	3	8	6	3	3	5.0
01337	Tredennick, Steven R.	6	0	6	3	0	6	8	0	6	4.3
01331	Rasche, Charlotte M.	6	6	0	0	6	3	6	0	3	2.7
01121	Still, Charles H.	6	3	3	3	6	3	3	0	3	3.4
02365	Davis, Janice Z.	6	3	6	3	6	3	0	0	3	3.9
01569	Miller, Scott	6	3	0	3	0	3	6	3	3	3.3
02145	McCroy, John M.	6	0	0	0	0	0	0	0	3	1.7
02370	Brown, Corey C.	6	0	0	0	3	0	0	0	3	1.7

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## In Summary

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1. Accept that there is no partner comp model in the world that removes all subjectivity
2. Do not attempt a compensation based on a one size fits all mentality
3. Use Smart Score Carding to establish key metrics and benchmarks for each type of partner in your firm
4. Reward the behavior you are looking for from each type of partner
5. Define success for your partners upfront to eliminate surprises  
Communication is the lynchpin in a strong partnership



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