Changing Law Firm Employment and Compensation Practices

Every lawyer who joins a private law firm aspires to become a Partner. If this goal is not achieved the lawyer opens his own firm and becomes a Partner overnight. The journey to Partnership starts from Pupillage and one rises through the ranks becoming an Associate, Senior Associate and Senior Principal Associate. At this point the allure of Partnership is within reach. There are many reasons why certain individuals get admitted into Partnership. These can be broadly classified as Business or Personal Reasons.

The main business reason that gets a Senior Principal Advocate admitted to Partnership is their networks and ability to grow the business. Law Firm Partners do not want to bring in a new Partner if so doing is going to dilute the Partner earnings. Secondly, a Senior Principal Advocate can get admitted to Partnership based on loyalty to the firm. This translates into seniority because the longer one has worked with a given firm the more they know the ins and outs of these firms and the more tacit knowledge they possess about clients and Practice areas. This method of admission into Partnership is part of the lockstep system where seniority is valued and the same level of compensation is given to those with the same level of seniority. This method of compensation is fraught with challenges in the modern economy. In practical terms it means that an advocate can simply do the bare minimum and at the end of the year receive a salary adjustment or increment the same as those who may have put in much more effort and achieved more. The young ambitious associates will find that there is no discrimination between top performers and average performers and they too will be sucked into a culture of mediocrity. This is detrimental to the firm in so far as inculcating innovative practices is concerned as well as growing the business. A growth mindset is invariably a creative mindset. By employing absolute lockstep compensation systems firms are discouraging innovation at the expense of stability, loyalty and longevity.

Some law firms do not have defined career paths and incentive schemes for the large majority of staff who will not become Partners either because they don't have the necessary competencies or interest in Partnership. Such staff are usually joy riders looking for the next bandwagon on which to go on. They lack the motivation to see out their careers in a single firm. High staff turnover is very common in most law firms and the efforts training and grooming talent does not pay off.

Law firms need to reconsider their compensation and performance management frameworks as there is a direct link between individual performance and organizational performance. By achieving that delicate balance between valuing seniority, other lockstep parameters and merit based compensation and performance practices, law firms will be able to create sustainable businesses that will continue being key players in the economy. Only such a mix will result in a truly flexible, innovative and customer centric legal practice.