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Building a Unitary Merged Firm: Dynamic Teaming & Abe Maslow!

By Mike White

What does it take to make an integration process of two law firms really "sing"? Why are many mergers so challenged at realizing synergies, building a unitary operating model and culture, and acting upon a single set of external priorities?

In fairness, all firms have problems with these issues: fulfilling their commitment to autonomy tends to trump their efforts to have everyone rowing in the same direction toward shared goals.

A few table-setting observations can be made about law-firm combinations:

- This stuff is hard
- Results have been "choppy"
- As between "human beings" and "operating systems & processes," I'll put my money any day on human beings to drive improved performance and integration in any flat, professional-services environment (e.g., law firms). **Query: How do we activate those human beings?**
- Integration teams of business, IT, and operations analysts are impressively professionalized nowadays. Internal teams do a pretty good job of bolting two firms together – functions and operational processes are rationalized and key-cost inefficiencies are wrung out. Nonetheless, these areas are not the powerful, revenue-driving growth levers that should be the poster children of a high-performing combination.

The truth is, integration can be a head-scratcher. Law firms deliver system/process/product-enabled "artistry" **rather than** "artistry"-enabled systems/processes/products (i.e., the "human being" query above). People are your revenue; people are your products; people are your assets. While integration tends to focus on "process," if your integration plan gets the "people" equation right, you're accomplishing a lot.

Core "people-related" key-performance indicators (KPIs) for integration might focus on these goals:

- Retaining your best people
- Helping your best people perform better and contribute even more in the future
- Hiring both proven and high-potential contributors from other firms

How can we support the above three KPIs? One way to look at the "people issue" is through the lens of that legal industry sage . . . human psychologist Abe Maslow!

Maslow’s Hierarchy of Needs

Maslow defined a hierarchy of needs that explained each person’s path to fulfillment and happiness – i.e., self-actualization. He came up with three general levels of motivation:

1. Basic – physiological (food, water, safety)
2. Psychological – belongingness, relationships, esteem & accomplishment
3. Self-fulfillment – self-actualization (achieving full potential)

He concluded that all humans have higher-level, less mercenary, less self-oriented paths to fulfillment that become important once the most basic and self-centered individual needs are met. Our needs become different in kind, not just in degree. Moreover, meeting our higher-order, self-actualized needs is more fulfilling than meeting our first-level, most basic needs.

“Level 1 needs” represent the most self-focused, and can be closely tied to more individual – dare I say hedonistic – desires. For our analytical purposes with law firms, Level 1 needs point us in a single direction: **$**. Already well-compensated “over contributors” generally support combinations because leadership will make sure to do everything it can to retain these “people assets” – they are simply too critical to the combined firm’s success to treat differently. But what about the other highly valued, high-potential partners who today place only a modest imprint on firm revenue? **These latter partners are a flight risk because they likely won’t be happy with their new compensation.** Firms don’t want to lose these people.

An Optimal Approach

Question: What should firms do to retain these valuable partners? Answer: Focus on Level 2 and Level 3 needs!

Translating Maslow’s hierarchy into practical integration strategies can help a combined firm create a differentiated, non-mercenary, culturally cohesive professional platform to which highly valued assets (human beings) can commit over an entire career.

At Edge, we help integrating firms put together a potent portfolio of adaptable teams to achieve important “one-firm” integration priorities. By borrowing from the really great work of organizational behaviorist Aaron Dignan as well as from Maslow, your integrating teams should be able to support certain concepts and have good answers to the questions implied in these bullets:

- **Inclusion** – Can I choose to support the integration process by collaborating with my peers through a teaming structure with which I can engage voluntarily?
- **Purpose** – Is my team’s mission objectively important to the health of the firm?
- **Alignment** – Will I benefit individually from what I’m building through my team?
- **Self-Determination** – Is my involvement elective, and is our team’s mission something we crafted from the ground up, rather than succeeded at from the top down?
- **Contribution/Impact** – Will our team’s impact, if achieved, be valued by firm leadership (for example, generating near- and mid-term revenue)?
- **Agency** – Do I have the freedom to determine how and when I will spend time with my team, and to experiment with new approaches that will help fulfill me and/or enhance the health of our firm?
- **Creativity** – Can our team create new objectives, and new means of meeting those new objectives, if in good faith we feel we can support our overarching mission?
- **Transparency** – Do I have ready access to all the information I’ll need to help our team be informed and be more effective?
- **Contextual** – Will the teaming structure and mission be mindful of my core responsibilities, which I need to support outside of my contribution to the integration effort?
- **Support** – Does my firm provide our team with the tools we believe will help us be successful?
- **Service Scaling: Conferring Collective Benefit** – I want to see my team’s impact radiate across the firm and benefit many others. Is my team capable of helping many people, and are those benefits perceptible to my team members?
- **Recognition/Validation** – I want to be validated and experience recognition through my team experience. Will the firm celebrate our successes?

I don’t mean to suggest that integration efforts activated through adaptable small teams are rudderless, “Woodstockian,” feel-good exercises. Participating partners and team members will need to benefit from the strategic vision and goals of leadership, and know about the priorities being acted upon by firm leadership in a more structured way.

Note: Team goals can be informed by objectives associated with increasing revenue and acquiring more clients, **and** they can also be informed by the “inputs” that lead to those objectives – e.g., “If our team establishes a relationship with two executive recruiting firms, our bankruptcy group could become the law firm of choice for the ‘change agent’ CFOs they place during a search engagement.”

Once the table is set properly and larger goals **and** related inputs are understood, get out of the way and let your teams run!

Bonus Bullets on Merger Integration and “Teaming”

- Partnerships! Partnerships!: High-performing business-services companies put in place a dizzying array of external partnerships with other complementary firms and product companies: venture partners (to enter new markets); product partners (to extend offering capabilities); revenue partners; innovation partners (to create whole new capabilities); technology partners; etc.
- Focus Teams on “Hybridization”: Law firms whose offerings bleed into other disciplines gain differentiation, gain relevance, and gain standing to have more diagnostic discussions with prospects. Examples are law-firm M&A shops that get their hands very dirty with post-acquisition business-integration issues (normally the province of Big Four firms, IT consultants, internal business analysts, etc.), or law-firm commercial litigators who sit down with risk-management consultants (think Marsh, Aon) and the client CFO to map out risk-mitigation strategies during an enterprise risk-assessment process.
- Insinuate Your Firm into Thought Leadership Discussions: Assign one of your teams to hang out with McKinsey, Bain, BCG or other disruptive-innovation consultants like Innosight. These consulting firms will tell you what innovation is taking place and how it will create new revenue categories. These new growth categories create new legal needs, and – more importantly for today – give law firms great content to serve as conversation-starting subject-matter currency.

Edge Principal Mike White, an expert in the field of law-firm growth, works with firms and practice groups in two primary areas: client experience innovation & differentiation, and strategic planning for growth. He also advises firms on business-development skills training/planning/coaching, law-firm succession planning, lateral-partner integration, and partner-compensation restructuring.

A Tale of Two Sales

By Sam Coupland

The merger and acquisition market of law firms in Australia appears to have gathered pace this calendar year. Already I have undertaken 11 valuations – with five of these being used as a starting point for negotiations for mergers, or to guide a deal where a firm is being acquired. In conjunction with the increased valuation activity, I have been engaged to find purchasers for three rather significant firms as well as finding merger partners for another two firms.

This role of law-firm matchmaker gives me a front row seat to understand what acquirers are looking for and what makes a sale or merger happen seamlessly. None of this will be a surprise to those reading this article – if you sat down with a pen and a piece of paper, you would probably soon come up with a fairly comprehensive list of desirable attributes a firm should have to be considered an attractive proposition.

When I sit down with partners who want to sell their firm, one of the first questions they ask me is how long the process is going to take. The answer to this question is: if you have all the information required for a due diligence to hand, and a sensible asking price, then we should have someone on the hook within three months, and a deal concluded within six months.

Once I have a confirmed sell mandate, I do two things before even thinking of approaching the market. First, I provide the firm with a checklist of likely due-diligence information that will be sought, and make sure that information is in a data room, ready to go. Nothing turns off a prospective purchaser more than very slow responses to reasonable requests for basic information. Second, I use this information to determine what I think the value of the practice is, and work with the partners to agree on the asking price and terms of the sale. From there, it is a matter of approaching the market and finalising the deal.

Contrasting Examples

In late 2018, I was engaged by two different firms to find buyers for their practices. On paper these firms appeared very similar, but in fact the ease of sale was vastly different. Revenue of both firms was about the same, all partners wanted to sell (there was no internal conflict about the desired outcome), both had specialisations that the market was seeking, and both were equally profitable. What could possibly go wrong?

In fact, in the case of the first firm, nothing did go wrong. The sale process was as smooth as could be, and they were the model client. At the first meeting, the partners spelled out their asking price and their (very reasonable) justification for it. On receiving my due-diligence checklist, they provided all the information within a week. By the time I had given them a target list of likely purchasers, we were all as confident as one could be. Of the five likely acquirers we approached, two were interested in exploring further, with one agreeing to the vendor's sale price and proceeding to due diligence within three weeks of hearing of the opportunity. A Heads of Agreement was signed within two months and the whole deal concluded within five months. Quick, tidy and all parties were happy.

The process with the second firm could not have been more different. When I asked the partners for their sale price and terms, they said they wanted to see what the market would offer, based on a somewhat convoluted and subjective revenue-share model. When I pressed for a ball park they obfuscated and kept turning the conversation back to the revenue-share model. In a moment of weakness, or exhaustion, I went along with this.

When it came to due-diligence information, at the first meeting I was told this was already at hand as they had been contemplating a sale for some time. I accepted this, and went to the market with the opportunity. At this point the wheels fell off.

Meetings with interested acquirers became convoluted when they raised the question of price. Examination of the revenue-share model by some acquirers quickly fell apart when its lack of transparency was exposed. Any confidence in the vendor was further eroded when, pushed for a purchase price, they put forward a wildly optimistic number which could only be described as commercially insane.

A handful of potential acquirers that were prepared to talk further (once some sense around price had been accepted by the vendors) then sought the most basic due-diligence information. After waiting more than six weeks for information that should have been produceable within five minutes, these firms lost all confidence in anything that was put forward.

Now after almost eight months, we are really at the beginning of the process. The vendors have a reasonable price in mind and are open to terms. All due-diligence information is in a data room. My thinned out target list of potential acquirers provides some hope for success. However, I know that in future I will stick to my guns with a process that I know works, or I will walk away from the engagement.

Thought you might enjoy this story.

Edge Principal Sam Coupland is considered the foremost authority on law firm valuations in Australia, offering firms a robust valuation methodology to help them calculate accurate capitalization rates and assess the risk profile, cash flow and profitability of their firms. He is a frequent presenter on practice-management-related topics, delivering dynamic presentations to hundreds of lawyers every year in the areas of financial management, business development, succession planning, strategy, and people management.

Simplicity

By Sean Larkan

There is one thing I have learned over many years helping run large law firms and since then consulting to professional service firms: keeping things simple and as brief as possible is the essence of achieving success. That means ‘easy to understand and to apply’.

The reasons are simple too. Professionals, in particular those in ownership or senior roles, simply don’t have the time, motivation or gas-power to take on yet more complex, lengthy systems or processes to get things done, especially when it is outside their comfort, practice or client-zones.

I have spent most of my time figuring out how to deal with relatively complex issues and challenges, but in a way that is easy for busy professionals to understand and apply. Put another way, I learned early on not to put anything on the table that was too complex or time-consuming. People simply switch off or don’t give it the attention it deserves. Also, philosophies, concepts or approaches have to be simple enough to able to ‘*walk around in peoples’ heads*’. Then they don’t need to consult a lengthy document or manual to remember the essence, or need a new dose of discipline to get these things done.

One rider to this; simple approaches and ways of doing things take a lot of thought, dedication and effort to identify, work out, test and prove in the field. This is sometimes not so simple! So, this is one of those things that is easy to talk about, but tricky to achieve in practice.

Let’s take a brief look at a few areas where these principles can be applied in practice to good effect. Coincidentally, they happen to be the areas where I do and enjoy most of my work.

Strategy

Strategy is one. This principle applies equally to strategy for the whole of the firm or for a department or individual: only include the essentials, use a practical, proven framework that gets results, and which can be summarised in six to ten pages or less. Break the exercise down into pre-strategy essentials that need to be settled, actual strategy formulation and then post-strategy implementation and stress-testing. Be able to summarise the key aspects on one ‘strategy snapshot’ page – ideal to hand out to new recruits or even existing and potential clients so that they know what you are about.

Finances

We can never move too far away from the finances when discussing anything to do with firm practice in professional services. In this area, after dealing with many firms internationally, it has struck me how often partners and staff are drowned in reams of lengthy financial reports and analyses. It soon becomes clear that very little of this material gets absorbed and truly serves any purpose.

All of the excess material might keep a certain type of management happy – those who like to think, ‘*At least they can’t say they didn’t have the information’*. But that of course is not the point. The point should be to help everyone get results.

In this area, I have found a key is to produce a monthly (or on-demand) one- or two-page financial snapshot or dashboard report that is colour-coded, and summarises partner, partner-team, department and firm standards for performance and actual performance on key financial variables. If one needs to dig deeper in relation to a key variable – e.g., total lock-up days – one can always request that detail from the finance or accounts team.

Following the earlier point, it took us about three years of formulation and testing until we got this right, and working to our complete satisfaction. Then it was a case of refining it each year.

People

I long ago came to the conclusion that the key to results in the management of people is ensuring a truly *genuine interest* is taken in anyone for whom one is responsible. We developed a new philosophy, system and approach to ensure this took place throughout a firm – the *Responsible Partner and Development Discussion* system. With this system, most people at every level reached something like their full potential, they were happy, partners attracted good staff who stayed longer, and our employment brand and engagement levels grew stronger.

Again, this was kept as simple as possible. That is a key reason why it works.

Succession Planning

The system we developed for the management of people has a number of off-shoot benefits. One is addressing the hardy annual issue of succession planning. So many firms struggle with this. Some introduce quite complex monitoring and management systems to address it, but with limited results.

As in other areas, succession planning can be kept quite simple. If something like the Responsible Partner philosophy mentioned above is adopted and applied rigorously, over time it *automatically* builds succession throughout a firm, and it has the benefit of being organic. Let me expand on this a bit. If a partner uses the approach successfully and builds a high calibre team of professionals at different experience and competency levels over time, she or he will find successors start to pop up within that partner team. It takes a good few years, but it is guaranteed to happen: this has been proven time and again.

Achieving success in practice today undoubtedly takes high levels of competence and performance in a number of different areas. It used to be that working like a dog and looking after clients was it. The rest could more or less take care of itself. Those days are long past.

Contribution Criteria

Practice and client needs have become much more sophisticated and challenging. Trouble is, in many firms, partners and staff still don’t really know what they should be expecting of themselves or one another. It is important to spell this out in summary in a positive, constructive way which propels the firm forward and acts as a motivating guide to individuals to contribute in various key areas. These will include hardy annuals like financials, business development, people and support for the firm, but also things like building the capital fabric of the firm, building succession and active support for the brand, and raising each of these to exemplary levels through innovative approaches.

Brand

Finally, brand is another key area which can get attention. Everyone in the firm should understand what the firm’s understanding of brand is. ‘Brand,’ as I teach it, is the aggregate of what other individuals think and feel about the firm as a practice, as an employer, its services and the key individuals within it. Everything brand-related flows from this simple framework and makes it easy for everyone in a firm to grasp the nuances, concepts and necessary support systems to strengthen a firm’s brand, its employment brand and the brands of individuals within it.

Dare I say it? I believe that adopting this ‘simple’ approach to everything relating to leadership and management also makes this part of practice fun. More practitioners and staff will want to participate in and contribute to these initiatives as they will feel they ‘get it’ and don’t need a course in management to get results and get things done. This in turn grows future leaders and managers internally.

Edge Principal Sean Larkan is a former corporate/tax lawyer with extensive experience in conference and retreat presentation and facilitation. As an Accredited Practitioner of Human Synergistics International ***and a certified Master Coach, he offers Edge clients knowledge and experience in such areas as leader, group and organisational***

behavioural and cultural diagnostics and coaching, and serves as a critical adjunct to firms' strategy implementation. He is the author of [Brand Strategy & Management for Law Firms]***.***

May 6-7, 2020: Gerry Riskin, Atlanta, Georgia (The Managing Partner Forum)

By Gerry Riskin

Panelist and Break Out Group Facilitator. Check for more information.

Operational Reviews in Law and Professional Services Firms

By Yarman J Vachha

Drawing on my two decades of experience in managing and consulting with international and local law firms across the Asia-Pacific region and the Middle East, I have created a three-part video to provide insights into the nature of independent operational reviews, explaining why all firms should consider embarking on these periodically, and pointing out some of their potential benefits.

What Is an Operational Review?

An operational review (OR) is a full scope "audit" of a firm's operations and its operational strategy, and an examination of how this interacts with the firm's overall strategy. The purpose of an OR is to determine if a firm's operations are "fit for purpose" for the existing business, and is also a stress test to determine if the operations are fit to support future growth – or, in some cases, future contraction.

Why Is It Important to Perform Periodic ORs?

An independent and full scope OR provides a firm with a "Report Card" showing where its operations currently stand and what is required in terms of investment and resources to ensure it future-proofs itself.

What Are the Benefits of an OR?

An OR provides an independent checklist of what remedial actions are required and recommendations on how the firm should go about undertaking them. The other advantage is that it is independent, hence there are no political or hidden agendas.

Edge Principal Yarman J. Vac *ha's nearly four decades of professional accounting and management work across Asia, Australia and the Middle East include senior leadership and executive roles with global law firms Allen & Overy and Baker McKenzie.*

Building and Leveraging Relationships: The True Essence of Business Development

By Bithika Anand

The concept of ‘business development’ is often over-rated when it comes to law firms. The phrase may resonate with such metrics as ‘financial targets,’ ‘meeting new contacts,’ ‘cold-calling,’ ‘attending events at relevant forums,’ ‘undertaking activities that contribute to the revenues and profitability of the firm,’ etc. Most firms like their partners to be ‘rainmakers’, the ones with the right personality type to go out, speak to the clients and ensure a perennial flow of work.

However, how we define ‘business development’ is undergoing a change with time. This article aims to focus upon what constitutes the true essence of business development.

Sector-specific Awareness and Commercial Viability

Law firms are increasingly aware of the importance of the longevity of relationships, and they are encouraging their partners to get into the deeper realms of what makes a difference to their clients. Most partners today are choosing to become well versed with the sector-specific challenges their clients’ industries may be going through. With in-house general counsels also playing larger roles in shaping businesses, law firms are extending the horizon of their advice to include commercial viability, rather just confining themselves to legal issues at hand.

Consistency and an Innovative Approach

Most successful partners today are guided by a commitment to making a difference in the lives of their clients or business prospects. If you are able to convince a prospective business contact about your ability to turn their life around, there is a fair degree of chance that work will make its way towards you. This principle, however, does not diminish the fact that business development requires patience, and there will always be a gestation period before your contacts turn into work for your firm. During this gestation period, your essential virtue is ‘consistency’. One needs constantly to take the initiative to stay in touch with prospects and clients. Instead of leaving the ground when there is no response from your prospective contact, figure out ways to connect with them on non-work issues as well.

Forward-thinking partners these days create well-articulated business-development strategies whereby they keep professional relationships warm by circulating legal updates or disseminating knowledge and awareness about the latest developments in laws and court matters, etc. Some take an even more personal touch, congratulating their contacts on their personal achievements and the achievements of their organizations. You may devise your own innovative measures, such as offering to conduct a training session, hold a help-desk, or undertake similar initiatives for the team or employees of your prospect or client.

Partner with Clients on Business Vision

Connecting with your clients to keep the professional tie warm and generate work from them is still a micro-level step. Partners also need to reflect on how many times they connect with their clients at a macro level – for example, holding discussions with respect to clients' larger business visions. Are you being included/consulted at the time of major business decisions, such as a client's decision to open an office in a new city, to launch a new product or service line, or to undertake organizational re-structuring? A successful business-development effort will lead you to become deeply entrenched in your clients' businesses. This will not only help you in evaluating your own service offerings to them, but will also make you more aligned with their business vision, rendering your advice more relevant and commercially sound.

Knowledge Dissemination and Thought Leadership

The ecosystem to which lawyers belong is person-oriented. Any service sector that undertakes the role of a consultancy thrives on relationships and ties, as the relationships once built usually tend to be long-lasting (unless other factors like performance and costs are impactful enough to permeate and disrupt the attorney-client relationship!). With pressure mounting on in-house legal departments to play a larger role in growing an organization (while keeping the costs at bay), businesses are also much more informed about the facets of legal work today than they were a few years ago. While they seek value for money, money isn't always the sole criterion in the selection or rejection of a law firm if the value proposition is robust.

Law firms, as well as their partners, must understand the potential of investing in professional relationships, and must move from being merely 'lawyers' to also being 'thought leaders' or 'visionaries'. Your firm's partners must utilize various available platforms to extensively disseminate knowledge and write about the fields in which they practice. This should be done not only to spread awareness of issues among your clients, but also to ensure that they know how and when to seek your assistance in moving towards suitable legal recourse.

The Journey from 'Contacts' to 'Conversion'

Disseminating information is especially important in economies where the regulatory environment is constantly changing, and new developments occur frequently. For firms that are moving into new and emerging areas, partners must strive to make in-roads to participate in macro factors affecting the industry as a whole: policy-making, for example, and engaging with relevant forums/organizations pertaining to their areas of practice. While your 'brand' may be your ability to be reckoned as a 'specialist' or 'thought leader', the way to ensure a steady flow of work is to invest time and energy in establishing and leveraging your professional relationships. Establishing a connection on its own will be of no use until it reaches the stage of conversion into client mandates. The journey from 'contacts' to 'conversion' requires promptness in submitting proposals and fee quotes, and consistent follow-up. The rate of conversion from contacts to clients may be low, but efforts need to be sustained. Once your contact becomes a client, partners need to work towards successful closure of the new mandate by delivering quality service.

More than 'Networking'

'Business development' is often used synonymously with the word 'networking', which has, in fact, far more raw and commercial connotations. The essential difference between 'business development' and 'networking' is the spirit of building relationships. Conducting business meetings to obtain immediate work or short-term professional fulfilment, for example, represents a myopic view of business development. However, such events also offer opportunities that partners may miss out on by ignoring the 'human' element to these meetings and contacts. One may meet people who may not be immediately inclined to give you work, but meeting them with a long-term view could benefit your firm when you cross paths with them again someday. Besides the direct commercial benefit (immediate or otherwise), each meeting or contact can give lawyers a different perspective about a prospective client's life, their management style, their driving force, their success mantra and many other aspects of their personality.

To sum up, business development is much more than the 'procedural' or 'operational' aspects of writing e-mails, connecting over professional networks and following-up. Fostering deep-rooted relationships, with a genuine intent to partner with clients at the macro level and to contribute to the growth of the economy, will actually set a strong foundation on which one can sustain business development efforts far into the future.

Edge International Principal Bithika Anand advises on India-specific growth and business initiatives. She is an honourary consultant to the Society of Indian Law Firms (SILF), where she works with the organisation and its members advising and assisting in complying with best-industry practices. Nipun Bhatia, who contributed to the article, is Vice-President, Strategic Management & Process Redesigning at Legal League Consulting.

Compensation Factors and the Three-Point Shot

By David Cruickshank

The basketball rule that awards three points for a longer shot was a seen as a “circus shot” when first introduced in the NBA (1978). The shot did not become a significant game-changer for many years. Larry Bird would make about three attempts per game. Stephen Curry today makes ten or more attempts per game. But the use of the shot has not arisen from just the skill levels of individual players. Team tactics and data analysis have also been game changers. Teams now calculate the value of the three-pointer and deploy strategies to get more clean attempts.

What does this have to do with partner compensation in law firms? The three-pointer gives the shooter a 50% premium on a successful effort. What if we were to substitute “collaborative business development” (vs. individual) for “three-point shot”? We would reward partners who collaborate 50% greater weight for their efforts, compared to the solo business-development effort.

Could this be the game changer for firms who truly believe that “more collaboration” is essential to revenue growth?

First, a law firm’s compensation system would have to contain some weighting components, even if only for a bonus pool. Second, a firm would have to be willing to articulate specific business-development activities that can be weighed (not just a “bucket of hours”). Third, the firm would have to distinguish collaborative business-development activities from individual efforts. I reviewed this distinction in a previous *Communiqué* article.

We could apply the three-point shot rule to financial performance and business development. For example, a collaborative origination (where partners agree to a roughly-even split) could be given 50% greater weight in the compensation metrics. This does not mean that 50% more revenue comes in, but 50% more credit would be given.

In business development, firms constantly bemoan the lack of cross-selling. Consider these business-development performance factors that could receive a 50% greater weight:

- Partner engages in introductions, meetings and sales activities to obtain work for partners in other practices.
- Partners jointly develop and present quality pitches and responses to Requests for Proposals.
- Partners work together to manage cross-practice projects for fixed fees.

As in basketball, individual originations and business development efforts will still be rewarded. Since collaborative efforts seem to be a “stretch” for many law firms, the additional work to get the collaborative credit should get additional rewards.

Now imagine that your three-point collaboration rule has been in force at the firm for five years. As in the NBA, you may discover partner performance that is game changing for the whole team.

Edge Principal David Cruickshank advises firms on growth strategies and lateral integration programs. In addition to being a lawyer with a master’s from Harvard Law School and an LLB from the University of Western Ontario, he is a trained mediator who has taught at the Straus Institute for Dispute Resolution at Pepperdine Law School.

Collaboration and Compensation (Part 2)

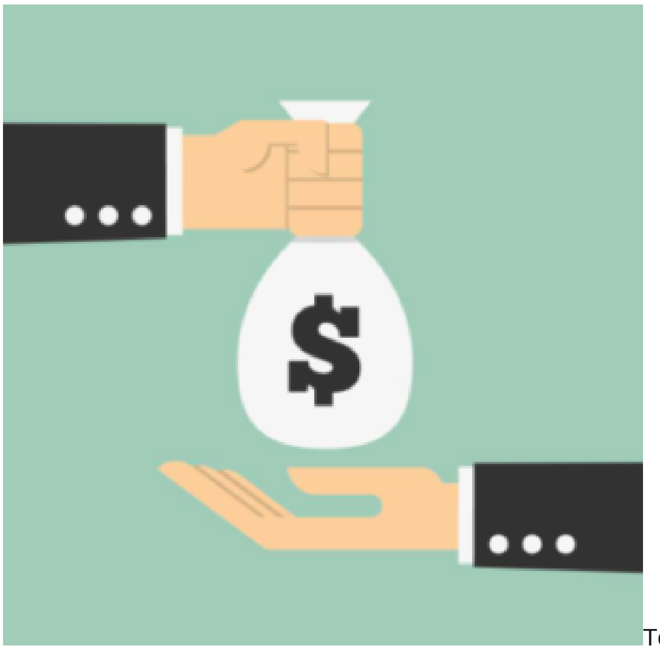
By David Cruickshank

This article was originally published in the [October 2014 issue of Edge International Communiqué.]

Collaboration-evaluation tools can help law firms improve teamwork outcomes

[Last month, in Part 1 of this article, I discussed how to measure external business development collaboration.] *I now discuss internal teamwork, and how to assess all collaboration factors in compensation.*

Internal Collaboration


To get beyond individual opinions and self-appraisal, there are three types of measures now in use in high-performing law firms.

First, upward reviews, held every one to two years, will yield data about partners and supervising lawyers. Upward review questions often ask associates to rate the team leadership, communications and collaborative planning skills of senior lawyers. The answers, if consistent over two upward reviews, will help a firm identify its high-collaboration lawyers — and provide training and coaching to the lowest-ranking lawyers.

Second, by taking an important step in legal project management (LPM), you will get collaboration input from clients. In our LPM workshops, we stress the use of the post-project review. After closing the matter, interview your clients about what worked and what needs improvement. Did your law firm seem to the client to be acting as a team, or as disconnected individuals? How did any collaboration provide value to the client? If we track these answers across multiple closed matters, we will have a measure of client satisfaction with collaboration.

Third, many firms use individual partner interviews during the year-end compensation process. Here, you need to ask questions about the teamwork exhibited by peers. Who has broadened a team and shared client contacts in order to improve quality results? What are some leading examples of collaboration by peers in work production and in cross-practice and cross-geography activities? Converting these answers into a simple “high-medium-low” ranking will give the compensation committee an independent measure compared to the partner’s self-appraisal.

Counting for Collaboration in Compensation

If you want your lawyers to measure all this, how can you demonstrate that it is valued at compensation time? First, you need to have a system that has a bonus component, a formula or a balanced scorecard that contains “firm investment” factors. These are often seen as “subjective factors,” though we prefer the term “qualitative factors” in partner assessment. However, by using data-driven measures of efforts and results, you can begin to “objectively assess” collaboration.

Second, collaborative activity has to be broken out from other activities (e.g. collaborative vs. individual business development). Next, the components of collaboration have to be defined and held constant for a few years. Imagine, for example, that you could compare a partner's teamwork rating over three upward reviews. You could see a trend up, down or holding steady.

The third challenge is to weigh the various components within collaboration, then weigh collaboration along with other qualitative factors. This process is often communicated to partners as a holistic approach — many contributions can receive weight and we can consider them all. I believe that firms can do better. They can:

- announce that the separate collaboration factor has strategic importance and that it is going to receive at least equal weight as a firm investment activity, and
- state that data-based evidence of collaboration (and successful results) is going to receive more weight than individual opinions and efforts. For example, the result of "landing two new matters after a team pitch" will get more weight than the effort of "20 hours of meetings with internal team."

We have a ton of anecdotal evidence that collaboration produces better business performance in law firms — not by itself, but together with good governance, leadership, talent management and sound strategy. If more firms measure and reward collaboration using some of these "best practices," we may also discover a better data-based answer about the impact of collaboration.

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Collaboration and Compensation (Part 1)

By David Cruickshank

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Collaboration-evaluation tools can help law firms improve teamwork outcomes