

Advanced Compensation for Small and Midsized Law Firms



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Alive and Thriving or Tired and Dying?

- ❑ While many law firms are alive and thriving, many others are tired and dying.
- ❑ Why is that?
- ❑ For starters, the average law firm's rewards system does not adequately reward wealth creation.



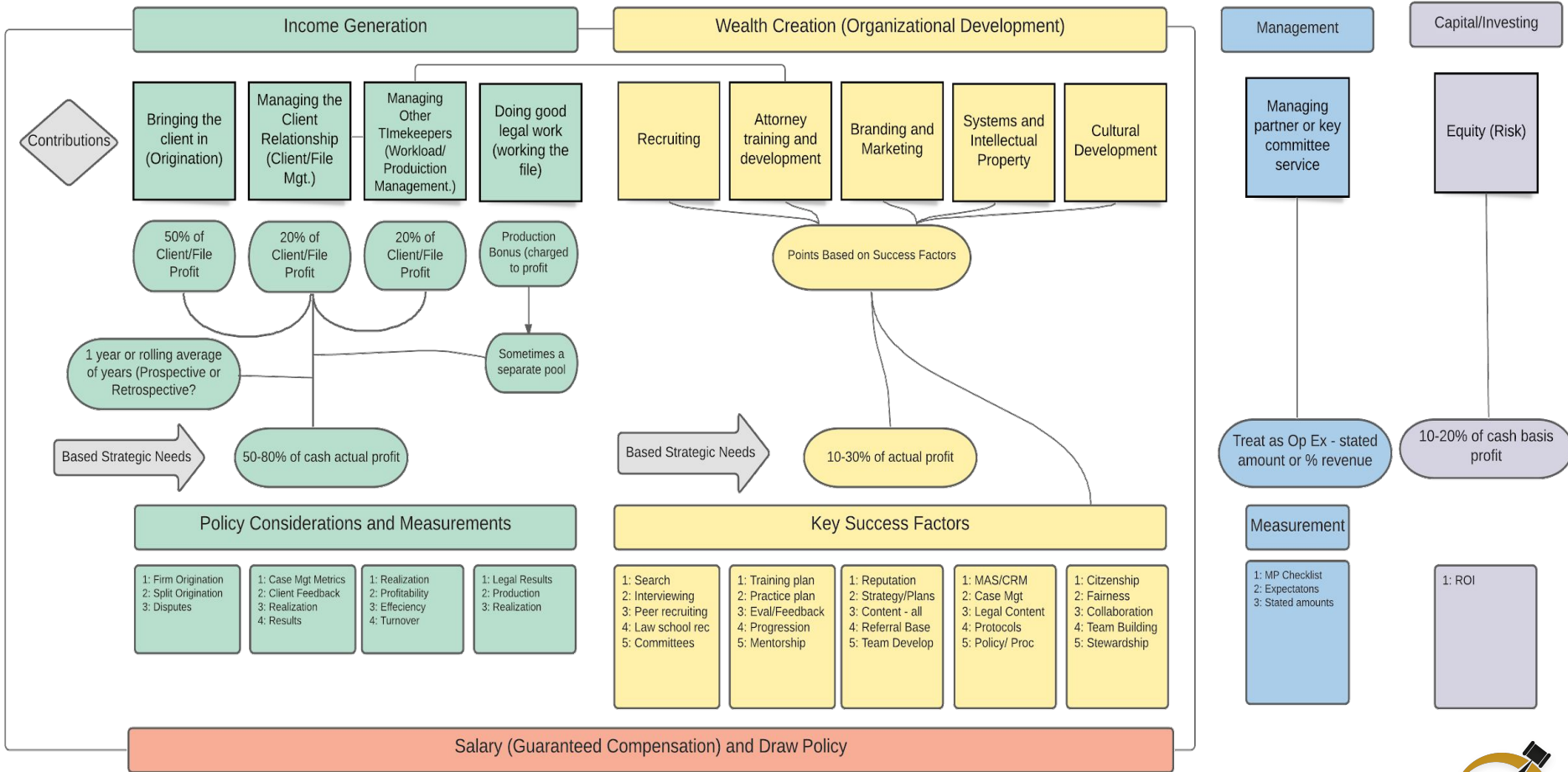
Agenda

- ❑ What is driving change?
 - ❑ AI, Technology, Remote Work, Client Pressure, Metrics, Marketing in the Digital World, Changing Workforce Values, Social Pressure and about 900 other things
- ❑ Designing the right compensation plan
 - ❑ The pieces, parts, weights, and measures
- ❑ The fine points
 - ❑ How to make your comp plan special
- ❑ Q&A





Designing the right compensation plan



Income Generation



**Bringing the Client In
(Origination)**



**Managing the Client
Relationship
(Client/File
Management)**



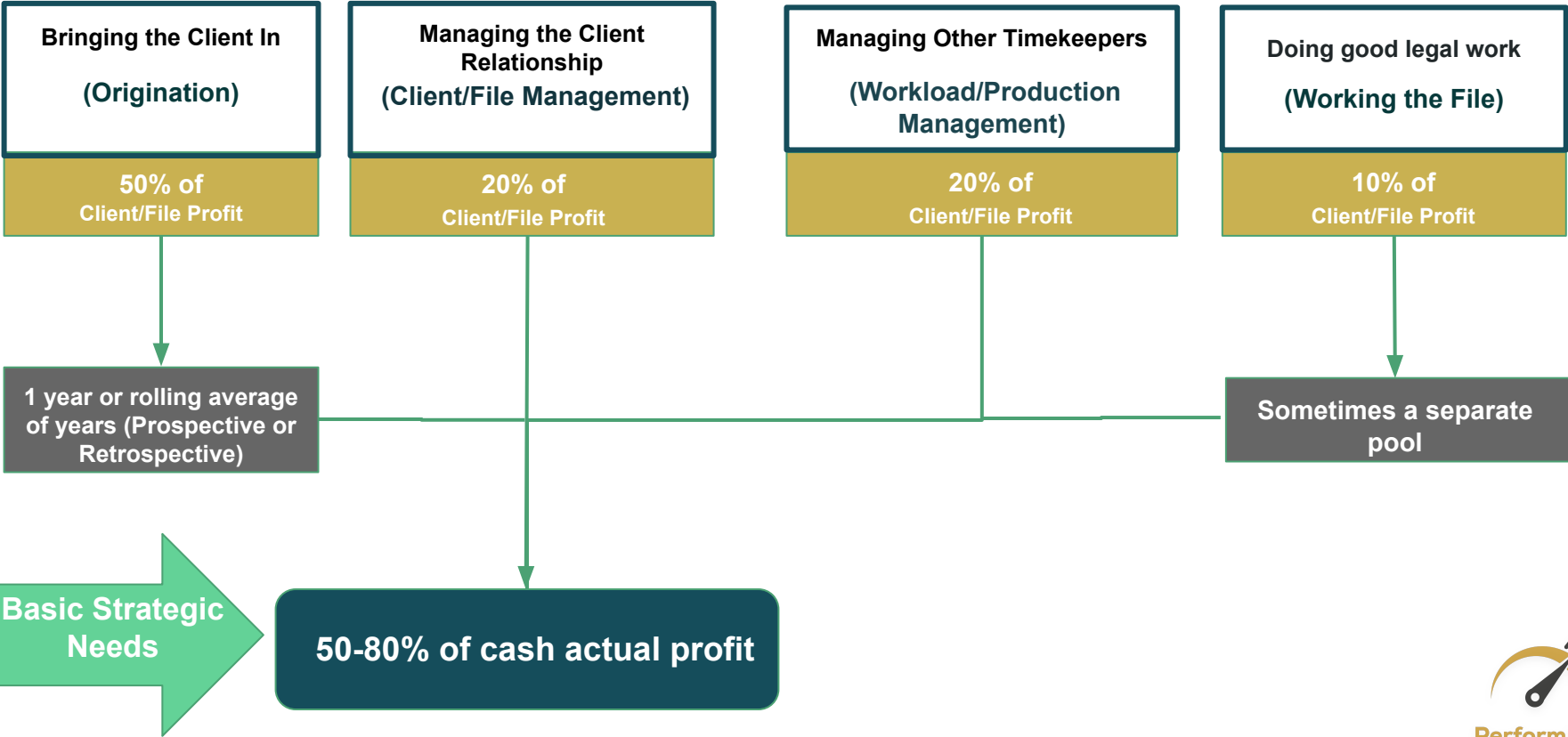
**Managing Other
Timekeepers
(Workload/Production
Management)**



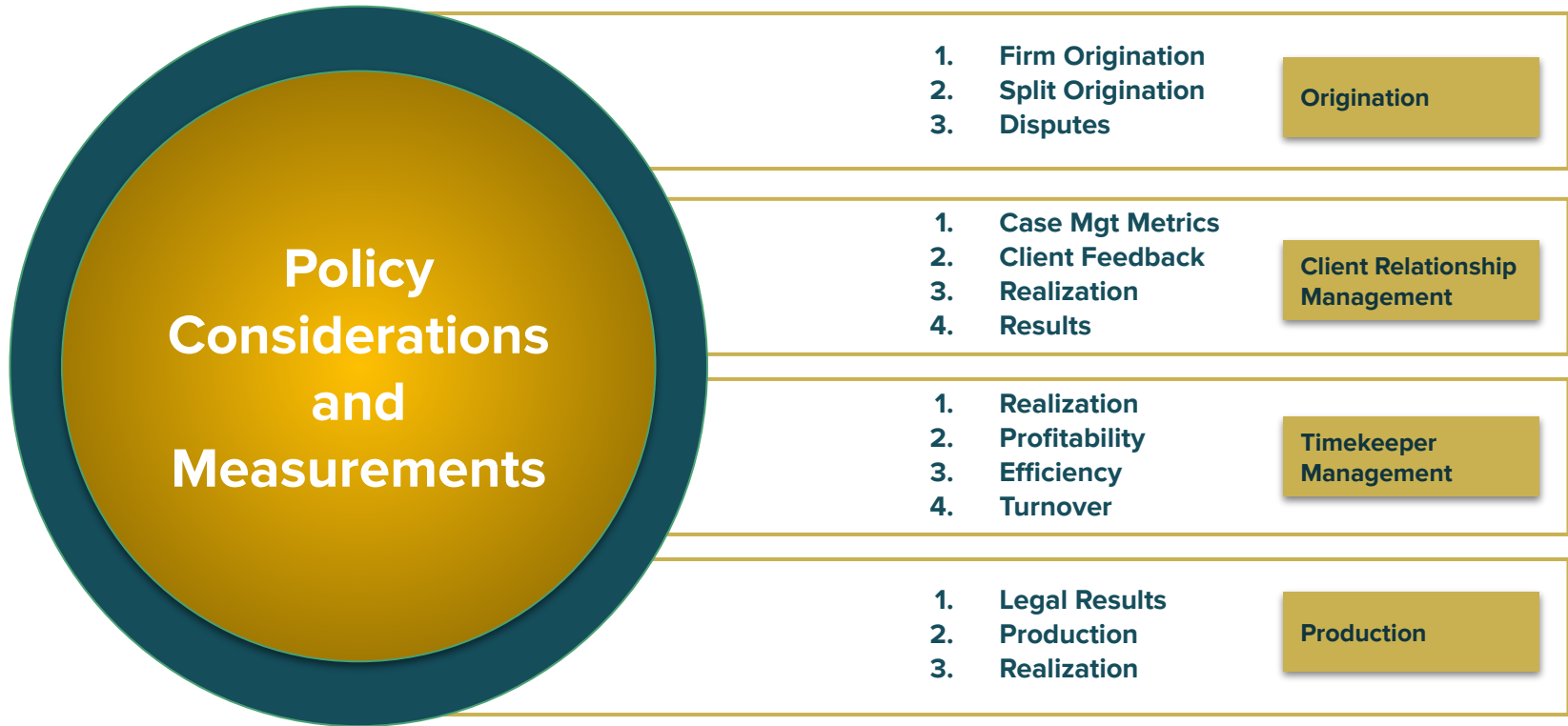
**Doing good legal work
(Working the File)**



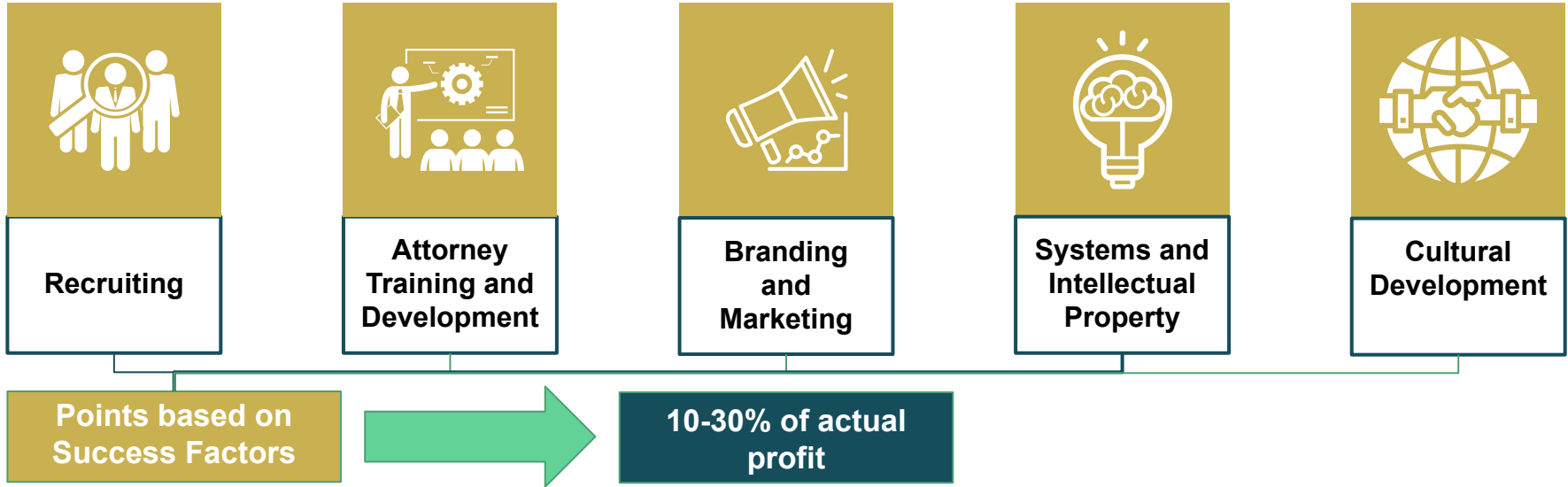
Income Generation



Income Generation



Wealth Creation



Wealth Creation



Key Success Factors

1. Search
2. Interviewing
3. Peer Recruiting

4. Law school record
5. Committees

Recruiting

1. Training Plan
2. Practice Plan
3. Evaluation/Feedback

4. Progression
5. Mentorship

Attorney Training and Development

1. Reputation
2. Strategy Plans
3. Content All

4. Referral Base
5. Team Develop

Branding and Marketing

1. MAS/CRM
2. Case Management
3. Legal Content

4. Protocols
5. Policy/Proc

Systems and Intellectual Property

1. Citizenship
2. Fairness
3. Collaboration

4. Team Building
5. Stewardship

Cultural Development



Management & Capital/ Investing

Management

Managing partner or
key committee service

Treat as OP Ex - stated
amount or % revenue

Measurement

1. MP checklist
2. Expectations
3. Stated amounts

Capital/Investing

Equity (Risk)

10 - 20% of cash basis
profit

Measurement

1. ROI





How to make your comp plan special



Base Salary vs Draw

Security

- Minimum guaranteed income
- Less income related stress and anxiety

Collaboration

- Smaller share of compensation depends on individual performance
- More time to focus on group performance

Laterals

- Ability to attract more talent with a compensation package that offers safety from day one



Collaboration

Characteristics of this system include:

- Less focus on individual originations and production
- Team-based performance rewards as part of compensation
- Non-billable/ strategic contribution compensation
- Broader accountability (it's about more than money)

Collaboration incentives depend on the weight of each factor:

- More weight on wealth creation = more collaboration incentives
- More weight on income generation = less collaboration incentives



Evaluation

Points - Subjective Evaluation

Base Salary Determination

Wealth Creation Compensation

Management Compensation

Case and Financial Reports - Economic Evaluation

Income Generation Compensation

Equity Compensation



Evaluation - Points Example

Tier 4	Factor	Subfactor	Compensation Points	Wealth Creation	Recruiting	Search	
Income Generation	Origination		15			Interviewing	3
					Peer Recruiting	3	
	Client Relationship Management	Client Satisfaction	6			Law School Recommendation	3
		Relationship	6			Committee Service	3
	Timekeeper Management				Attorney Training and Development	Training Plan	3
		Communication Skills	6			Practice Plan	3
		Associate Support	6			Evaluation/ Feedback	3
			Associate Delegation	6		Progression	3
	Production		Legal Results	6		Mentorship	3
					Branding and Marketing	Reputation	3
		Production	6	Strategy/ Plans		3	
					Content	3	
					Networking/ Referral Base	3	
					Team Development	3	
	Income Generation Total		57				
Business Hygiene	Timekeeping	Hourly	6		Systems and Intellectual Property	Marketing Software	3
		Hourly	3			Case Management	3
		Hourly	3			Legal Content	3
	Realization	Hourly/ Contingency	6		Protocols	3	
	Release	Contingency	4		Policy	3	
	Liens	Contingency	4		Cultural Development	Citizenship	3
	Payout	Contingency	4			Fairness	3
						Collaboration	3
						Team building	3
					Stewardship	3	
	Business Hygiene Total		30				
				Wealth Creation Total			75



Thank You.



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