

Managing people to drive business results

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Managing people in today's business climate

The past few years have been challenging times for law firms, given the unprecedented economic recession this country and the world have experienced. For many law firms, recovering from the recession will continue to be their main priority for some time.

However, it is important to look ahead because law firms cannot assume that business will eventually return to the way it was before the recession. The challenges facing law firms now and in the future will be steeper and more demanding than ever.

Over the past decade, law firms have advanced in their approach to people management. Many have recruited HR experts, implemented partner and staff appraisals, and provided skills training for their people. Whilst these are all important, in many cases these strategies remain detached from the real needs of the business.

In this new decade, the approach to managing people needs to mature in order to become more closely aligned with the achievement of law firms' strategic objectives if competitive advantage is to be secured and maintained. People management is sometimes referred to as a 'soft' skill. In this new climate it needs to develop a harder business edge.

The drivers of performance in a law firm – clients and people

Performance viewed from a client perspective

Any business (and let us not forget that law firms are businesses) will need to be competitive in its market if it is to survive and prosper at the expense of its rivals. This raises the question of what 'being competitive' will mean for law firms as they face the challenges of the future.

A definition of 'competition' which adapts well from 'products', for which it was originally devised, to a services-based sector such as the legal profession, is the following:

Competition is a process by which ... *services* that *clients* are not prepared to pay for, high cost methods of production and inefficient organisations are weeded out and opportunity is given for ... new *services*, methods and organisations to be tried

Everyman's Dictionary of Economics, A. Seldon and F.G. Pennance (1964)

This definition helps us to focus more closely on those areas of operations which law firms will need to manage differently if they are to gain competitive advantage over their rivals, including:

- providing clients with services they want and at prices which clients perceive to be 'value for money';
- managing their costs base in order to be able to price their services at levels which clients will be willing to pay, and at the same time produce sufficient profit to enable the firm not only to survive but also to prosper and develop for the future; and
- developing their organisations in such a way that they become more efficient in providing clients with the services they are prepared to pay for. The Legal Services Act 2007 has already laid down one blueprint for this with Alternative Business Structures, which are likely to become a reality during 2011.

In order to define the required performance of its people, a law firm will need not only to talk to and above all listen to its existing clients, but also its prospective clients and those organisations which regularly refer work to it. The main objective of doing this will be to indicate to a firm the required levels of its future performance for it to compete successfully, by:

- providing input into its strategic thinking with a view to expanding what it provides to, and the share of business it wins from, its current clients;
- ascertaining how it is perceived by clients, referrers and the market place;
- identifying any clear requested improvements or gaps in its capability against what its market needs, both currently and in the future, or what competitors are providing;
- identifying any significant strengths and weaknesses against relevant competitors;
- understanding levels of client awareness and receptivity to current services and how these may need to change.

Clients need to be asked about the key issues for them, what the likely developments in their businesses would be over the next 5 years and, given the implications likely to flow from these developments, what they would need from their law firms.

Clients (and referrers) should be asked to define the specific factors which determine which firm they used (or recommended). This line of enquiry of clients will often identify factors such as:

- skills and technical expertise;
- speed of response;
- fee levels;
- relationships with individuals;
- access and approachability;
- consistent delivery and results;
- size and depth of capability;
- specialisms (and the way in which a specialism is delivered);
- 'brand/big name' – the right adviser for the right problem.

Different factors are likely to be identified from listening to referrers. For example:

- knowing the individual/the personal relationship/having confidence in the individual;
- expertise/technical ability/good quality advice;
- track record in an area of work;
- turnaround time/speed/ability to meet timescales;
- fit with client;
- location;
- reciprocation;
- working as a team.

Critical factors which often drive client satisfaction are:

- meeting deadlines and keeping commitments;
- ability to offer advice quickly;
- keeping the client informed of progress;
- care and attention given to work;
- ability to communicate advice;
- billing as expected;
- providing excellent value;
- personable and likeable people/rapport with the team;
- quality of people;

- interest in/knowledge of the client's business.

A client care review, which is usually best carried out by an external and objective resource, providing feedback in relation to client satisfaction factors as above, will provide a clear indication to a law firm of the areas where it will need to improve performance if it is to achieve more client and referrer satisfaction. The findings from such a survey, if indicating a significant lack of client or referrer satisfaction, should be an urgent 'wake-up call', showing a firm that it will need to take urgent action in certain areas if it is not only to succeed in the future but also to rectify serious existing performance problems and prevent them becoming worse.

As a department head in a major international law firm told us: 'We now have our marketing plan. It was given to us in a client care review with our major client.'

Performance viewed from a people perspective

It has become a cliché for firms to state that people are their 'most valuable asset'. Yet the reality is that people are not like assets that can be bought and used.

A more realistic analogy is to think of a firm's people as being like clients. Firms have to win them, help them get what they want, keep them delighted, ask for their feedback, trust them, show them respect, etc.

In the same way that a firm should find out what clients want, they have to become better at finding out what their people want. Surveys indicate that what lawyers generally want is:

- fulfilling work that gives them a sense of purpose, real responsibility and a feeling that they are making a difference – the opportunity to handle quality work is a key driver for ambitious professionals;
- a firm that will help them to succeed, by *their* definition of success (for example, not all lawyers will see partnership as a desirable goal);
- to be rewarded fairly for their contribution – usually it is not the absolute level of reward that matters most, but a sense of fairness in comparison to others within and outside the firm;
- to feel good about their work – this is most likely to be influenced by the way they are managed by their immediate supervisors, and good management skills throughout a law firm are therefore important;
- a work/life balance that reflects their needs and the stage they are at in their lives.

There are likely to be different drivers for different levels of people:

- equity partners;
- salaried partners;
- client-serving staff;
- business services staff, who these days are likely to form a high proportion of a firm's workforce.

Again, these are all generalities and it would be wrong to make assumptions. It is becoming more common for law firms to have surveys carried out to find out the views of their people. When we carry out such surveys for law firms we usually ask partners and staff to judge the extent to which they believe the following statements to be true for their firm:

- Client satisfaction is a top priority at our firm.
- All partners and staff are dedicated to the interests of the clients and the office.
- Those who contribute the most to the overall success of the office are recognised and appreciated.
- The partners and managers get the best work out of everybody in the office.
- We invest a significant amount of time in things that will pay off in the future.
- People within our office always treat others with respect.
- The quality of supervision on client projects is uniformly high.
- The quality of professionals in our office is high.
- I am a member of a well-functioning team.
- I have the freedom to make the necessary decisions to do my work properly.
- I am satisfied with my career prospects.

The findings provide an excellent catalyst for action by the firm's management.

Aligning people and clients

It should be apparent from the above that, for a law firm, its clients and its people are the keys to its being able to successfully compete in the challenging legal market of the future. A law firm exists to serve its clients and without clients it would have no business. Client satisfaction therefore becomes the paramount driver (and test) of a law firm being successful, and a law firm will only achieve the necessary degree of client satisfaction if it actively manages the performance of its people to achieve that end.

It follows that the performance of the people within a firm will need to be *aligned* with the requirements of the firm's clients, if the firm is to successfully compete.

Faced with responses to surveys of both clients and their people covering areas such as are outlined above, a firm should challenge itself by asking and providing answers to some of the following questions if it is to go forward with confidence to compete by having motivated people who consistently deliver to its clients what they value:

- ‘Are the values/culture/behaviours of our partners and staff consistent with the delivery of what our clients value?’
- ‘If not, then what should our people be consistently doing better/differently/more of/less of in order to align our performance with the needs of our clients?’
- ‘Are all our partners and staff clear as to their roles and what is required of them and prepared to embrace a new culture which will require a higher level of performance to meet the future requirements of clients?’
- ‘Have we identified and articulated the skills and behaviours in our firm which are to be valued, measured and rewarded?’
- ‘Do we currently have people in the firm with the requisite skills, abilities and motivation to enable us to achieve our objectives or will we need to recruit or develop people?’
- ‘Do we have leadership which has a vision for the firm and the ability to implement that vision?’
- ‘Have we positioned ourselves so that we are a firm that talented individuals would choose to work for?’

The responses to such questions may reveal some awkward truths. Rather than go into denial, a firm and its people, and in particular its partners, will first need to acknowledge the need to make changes from their current behaviour and then be prepared to actually make such changes as are necessary if they wish to compete successfully in the future.

People management processes

Most firms will have some processes (such as appraisals, development plans, etc.) to help them manage people and their performance. Here we look at what the business needs from these processes and how they can be used to align the needs of the firm, its clients and its people.

The main activities or processes required are shown in Figure 3.1.



Figure 3.1 What is needed from people management processes and how they may be used.

Plan your people needs

Law firms have historically adopted a reactive or opportunistic approach to meeting their people needs. This can lead to inefficient work allocation and under-utilisation of expensive resources. With more forward planning it may be possible to meet the needs of the business better. In the future it will be particularly important to plan carefully for growth, not merely adding resources, but taking a fresh look at the way work is carried out and analysing what type of people are likely to be needed.

A start point should be to look at the services clients want and then plan to be able to deliver them at the required level of quality from the lowest cost base. It is a fact that many legal services have become commoditised. To deliver these services cost-effectively means looking at options such as:

- offering web-based services which require little or no intervention from people;
- introducing greater standardisation and automation of service delivery;
- looking to outsource and offshore non-core services;
- delegating so that people are doing work at the highest level of their capability and lowest cost. This will include, for example, more use of paralegals and support staff.

The work that remains will be higher value work that genuinely requires higher level professional input. Here there will be a need to match roles to people, and people to roles (job sculpting). Some firms have developed competency profiles that define

what is expected of their partners, associates and other levels of staff. Yet in reality no single competency profile will serve the purpose across the firm. Professionals in family, corporate and pensions work areas, for example, will need very different skill sets.

Attract and recruit the right people

Recruiting even a single lawyer, particularly at a senior level, commits a significant investment for a firm. If the lawyer remains for a few years the total investment will easily run into millions of pounds. The firm needs to be sure it will be getting a good return on that investment.

If, on the other hand, things do not work out and the lawyer leaves within a year or two the large up-front costs of recruitment and then integrating them into the ways of a firm are likely to result in a low return. Even more significantly, a firm is investing its trust in new recruits and poor recruitment decisions risk damage to relationships both within the firm and with clients.

Some firms talk about wanting to recruit the ‘best’ people. This begs the question ‘best at what?’ It is much more instructive to think about attracting the *right* kind of people who share the organisation’s goals and values, and who have the desire and the skills to do the kind of work required by clients of the firm. What is best for one firm will certainly not be best for all.

Selecting the right people is therefore crucial. Yet in many firms recruitment decisions are based on relatively little information. It should be clear that reviewing a CV or an application form, conducting a brief interview and taking references are important but insufficient.

As well as (or perhaps in place of) preparing a job specification for a role to be filled, it can be useful to analyse a role with reference to:

- the core requirements that are non-negotiable. If potential recruits do not possess these attributes they would not be hired. The core requirements might relate to specified levels of expertise or experience, but are just as likely to include qualities such as team-working, interpersonal skills and cultural fit;
- attributes that, whilst essential, can be developed. A decision to recruit an individual who did not possess these qualities would be accompanied by a plan to develop them;
- other attributes which are desirable but not essential. These could be very much downplayed in recruitment decisions.

When looked at in this way, a job specification can be much more valuable in helping to make the right recruitment decisions and may open the field to candidates who might otherwise have been rejected for failing to meet certain non-essential criteria.

A recent benchmarking survey revealed that 63 per cent of firms recruit, completely or to large extent, on the basis of technical skill. Yet it is unlikely that technical skill is really the only, or even the main, quality that a firm's clients will value. Surely high technical competence should be a 'given'. A more balanced approach would, for example, also recognise the importance of a commitment to building and sustaining strong client relationships and service delivery.

Help people achieve career success

In the same way that law firms will benefit by helping their clients achieve business success, so they will benefit by helping their people achieve career success.

It would be unwise to make assumptions about what motivates law professionals. All professionals will have their own motivations and goals. Firms should be wary of assuming that people are driven by financial rewards alone. Evidence suggests that quality of work and opportunities for career advancement are more important to many lawyers.

One of the large accountancy firms used to ask its recruits 'what do you want to be famous for?' This is a powerful question implying that the firm can help someone build their reputation and achieve their definition of success. For those with the ability, ambition and commitment to progress to partnership, there is often a need for them to be groomed using Partner Development Programmes. Without such a programme, where will a firm's next generation of partners come from?

Alternatively, for those without the ability or desire to become partners, career mapping can help carve out an alternative fulfilling career instead of a firm losing those individuals because they are regarded as failures. Career mapping involves helping people set career goals and then structuring their training, development, and work allocation to help them achieve their goals.

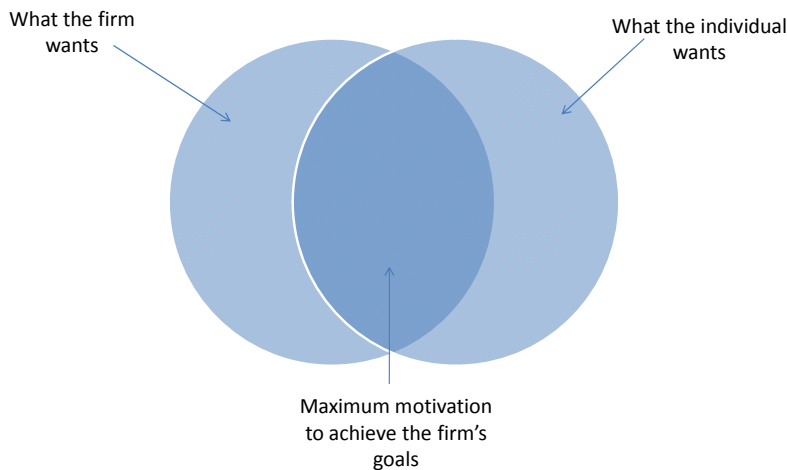


Figure 3.2 Career mapping

It is in the area of overlap, where the firm's goals coincide with the individual's goals, that the individual will be most committed to achieving the firm's goals (because it suits him to do so). Firms need to be able to uncover those personal goals and ensure there is a match with what the firm is trying to achieve.

Get people working together

In reality, most law firms are now composed of a complex web of teams. Any one lawyer is likely to be a member or leader of several client-serving teams. In addition they will be in a practice group, possibly an industry grouping, and probably a handful of project teams. Each of these teams needs to be strategically aligned, client-focused and with shared values.

This mosaic of teams has usurped the formal structures imposed by organisation charts. The traditional hierarchy, and even the once-leading-edge matrix organisation, can no longer cope when what is called for is not structure at all, but flexibility.

An ability to work in teams is therefore now an essential requirement for most partners and lawyers, and strong leadership skills will be essential for anyone responsible for leading a team.

Used wisely, technology can also help. Social networking, as popularised by such web sites as Facebook, is now being used as a way of helping lawyers form connections within their firms and work together effectively.

Manage to motivate and get the best from people

Throughout a firm people need to be well-managed. This means that everyone with some responsibility for managing people needs to have good people management skills. This will usually include all partners, most or at least many associates, and team leaders at every level.

For those in senior positions with larger teams, it will not be enough to be good at managing people. They will need to be excellent at it. Yet the reality in many law firms is that these people are too often appointed to their positions not because of their excellence in managing people but because they are excellent lawyers. A firm needs people who are excellent lawyers, but it does not necessarily need them to be in leadership positions.

A law firm's senior partners therefore need to get the right people in the right positions with the right skills, ambitions and attitudes. This will mean assessing their strengths and providing training or coaching to help them build on those whilst overcoming any weaknesses.

Those in positions of leadership need to be, or to become, excellent in getting the best out of people for the benefit of the firm and its clients.

Facilitate self-management of performance

The best form of performance management is self-management, through which people understand what is expected of them, are committed to achieving it, and seek feedback, guidance and support to help them do so. Performance management systems that remove responsibility from individuals are bound to be less effective. The processes put in place – whether formal or informal – should therefore be designed to encourage self-responsibility. Every element of the performance management process should pass this test of encouraging self-management, and every person responsible for applying the process should live by this mantra of encouraging self-management, not attempting to manage from above.

With clear objectives, regular praise, thoughtful feedback and effective appraisals people can be expected to achieve high levels of performance. The rewards for the time invested in effective performance management can be enormous.

Appraisals are often seen as little more than a paper-filling procedure required by the HR department. When viewed in this negative way they are almost bound to be a waste of time for the appraiser, and dispiriting for the appraisee. Yet when

approached with a different mindset and carried out with care and commitment, appraisals can be a valuable tool with considerable benefits for all concerned.

Whilst most law firms now have some kind of appraisals, it is surprising that even some of the biggest and best-known firms have very unsophisticated appraisal systems. Regrettably, some of the appraisal systems being introduced by law firms follow what is becoming outmoded corporate practice, mainly by failing to offer 360 degree feedback, which provides input not only from above but also from peers, subordinates and even clients if appropriate.

While many people resent and resist traditional style appraisals, 360 degree appraisals, which are increasingly being introduced by leading law firms, seem to be much more positively received. Professional people take their feedback very seriously and have no difficulty committing themselves to actions that will improve their performance and perceptions of their performance.

Help people learn and develop

To some firms, helping people to learn simply means sending them on a training course. In fact, a blend of development tools is usually the best way to address all but the simplest development needs. This can include assessments, live presentations, practical simulations, web-based resources, and professional one-to-one coaching. A suitable combination of these approaches can provide a powerful cocktail designed to make a real difference.

Too often people are given training not because they necessarily need it, but because they are at a certain stage in their careers. For those who do not need it, this is obviously wasteful and it is also de-motivational. For those who do need it, the training is often spread too thinly and is insufficiently focused on their real needs to be of any genuine value. It is therefore important that there be a proper assessment of needs and that training is then designed and focused so as to generate best returns.

Furthermore, too much training is aimed at overcoming people's weaknesses. For most people, however, their greatest potential for improvement lies in building on their strengths (raising someone's performance from being good at something, to being excellent at it), not in overcoming perceived weaknesses. As a result, much training investment is wasted. Assessments should help to highlight individuals' strengths rather than merely revealing weaknesses.

Well designed training courses can provide all of these but most training can also be achieved, at least partially, through day-to-day informal learning or 'learning on the

job'. There is a move towards supported informal learning. The key word is 'supported' because without some support day-to-day activities may teach us little.

As part of a well-designed development programme, the move towards informal learning supported by new web technologies can significantly improve the quality of learning. This approach can also lead to reduced training costs, a welcome benefit at a time when many training budgets are being cut.

Reward performance

Matching reward to contribution is an essential part of any process of achieving higher performance because a firm that is unable to offer competitive rewards in its market place is at risk of losing its best performers to competitors who can offer such rewards.

How should a law firm, which has already gained an insight from clients into what will be required of its people for it to successfully compete, approach the question of how to reward its partners as part of a process of achieving higher performance?

We would suggest that a reward mechanism, if it is to be performance related, should ideally:

- be an integral part of an overall strategy for taking forward the firm to achieve its objectives;
- be used as part of the process of driving up the performance levels that it is seeking to build;
- positively encourage both the development of new skills within the firm as well as helping to nurture acceptable partner attitudes and behaviour that can lead to the creation of an environment within the firm which encourages higher performance;
- provide sufficiently large differentials in terms of financial rewards so as to make it clearly worth a partner putting in the extra effort to climb on to a higher reward level and at the same time as between partners fairly recognising each partner's relative 'worth' within the firm.

Achieving these objectives is unlikely to be easy or quick, often involving as they do the need to overcome hurdles to change and requiring a great deal of courage, vision and leadership on the part of those driving a change process.

Implementing a partner reward system linked to performance is considered further below.

Get feedback from people

We have already discussed the importance of finding out from people what is important to them through surveys of partners and staff. Increasingly, leading law firms are reaping the benefits of regularly surveying the views of their people. Surveys of this kind need to be carried out by an objective third party (to assure people of confidentiality) and need to be handled with care. Taking short-cuts by, for example, using standardised surveys is not recommended and can be problematical.

The benefits of carrying out a survey include:

- improving the relationship between partners and staff by showing staff that the firm respects their views;
- uncovering any difficulties which, if left, could grow into major problems that might affect motivation or cause people to leave unnecessarily;
- giving management an insight into the minds of partners and staff, so helping to manage the firm more effectively;
- generating ideas from partners and staff which when implemented could lead to greater efficiencies and other business improvements;
- positioning the firm as a forward-thinking employer, so helping to attract people.

Raising performance in practice

The cost of under-performance

Under-performance in a law firm will not only have immediate financial costs for the owners of the business. It can also have longer-term knock on effects in terms of:

- inability to compete with rivals;
- lost opportunities;
- lost clients;
- the cascading effect of poor morale internally;
- high staff and partner 'churn';
- the amount of wasted management time;
- disruption;
- recruitment fees.

The real costs of under-performance can therefore be considerable or, looked at more positively, the benefits of raising performance can be substantial.

A methodology for performance management

Effective performance management cannot be left to chance and so a methodology to manage performance and diagnose potential weaknesses is required. Our methodology looks beyond the usual people management processes and the obvious symptoms of under-performance to other facets of a firm that all need to be aligned in order to achieve desired business outcomes.

We envisage performance management to be something like a Rubik's Cube, in which the faces represent a law firm's main processes. When properly aligned, these processes will together deliver higher performance. Two of the important performance processes will necessarily relate to clients and people which, as we have set out above, are the main drivers of performance in a law firm. However, to achieve effective higher performance, other processes come into play too. Client processes and people processes are linked by innovative service development, overseen by good leadership and management, and underpinned by effective measurement, risk management and compliance.



Figure 3.3 Performance management illustrated as a Rubik's Cube. Rubik's Cube ® used by permission of Seven Towns Ltd www.rubiks.com.

Each of these processes has its own activities (represented by the individual pieces of each face) with inter-connections to other activities in the Cube. For example: pricing services is a client-side activity but to do it effectively involves equipping people with the necessary skills, it requires effective measurement, and it needs to be driven by the desired business outcomes.

The key is to get each of the processes and activities in place and aligned with the firm's strategy. Like a Rubik's Cube, changing one thing can have unforeseen consequences in other areas. For example, restructuring can lead to de-motivated partners and staff which in turn can result in poor client service and ultimately client

losses. So an initiative designed to improve profitability can unintentionally have the opposite result.

Making a start

The best start point for improving performance is usually an objective review of the firm's current approach relative to best practice and the achievement of its strategic objectives. What is working well, what could be improved, what is absent.

For most firms, elements of the performance methodology will already be in place, even if they are not as effective as they could be. These can often be built on rather than introducing an alien approach. A review will also identify the hotspots and quick wins that could easily be changed to bring about higher performance.

In practice it is more likely that the drive to address performance issues comes from:

- a desire to achieve certain business outcomes (such as growing the practice, winning more market share, adding new clients, or improving profitability);
- addressing symptoms of under-performance (such as low profitability, client losses, poor people morale, high people turnover, or poor cash flow);
- evidence that certain performance management processes (such as appraisals, performance measurement, remuneration models, or succession planning) are weak or absent and these become the initial focus for attention.

Each of these can provide a suitable entry point for addressing performance issues. However, it is always necessary to align solutions with the firm's defined or assumed strategic business aims. It is also necessary to consider how various inter-related processes can be best used to bring about those outcomes. Solutions that fail to look beyond the surface are unlikely to succeed, which is perhaps why in the past so many well-intentioned initiatives in law firms have fallen short of expectations.

Below we have examined three of the many possible start points for addressing performance; issues that will be particularly relevant to many law firms:

- winning more work (a desired business outcome);
- addressing weak financial performance (a symptom of under-performance);
- implementing a partner reward system linked to performance (an important process).

For each of these we have identified:

- some of the issues that will need to be considered in order to properly analyse the problem;
- some possible quick wins, which are important not only because they are likely to generate results more quickly but because they will help to motivate people and create momentum behind longer term solutions;
- some of the people issues that will need to be taken into account in developing solutions that will deliver real business results, and that are sustainable.

1 The need to win more work

Analysing the issue

It is important to clarify what is meant by winning more work before suitable solutions can be developed. Here are just some of the issues a firm will need to address:

- Why does the firm want to win more work? How does this fit with the firm's strategy?
- What types of client does the firm want to win?
- What types of work does the firm want to win?
- How much growth is likely to come from existing clients?
- Is winning work more important than sustaining profitability? What is the balance?
- How much additional work can the firm resource?
- How much money and time is the firm willing to invest in winning more work?

Some possible quick wins

Some possible quick wins related to new business development might come from:

- Singling out the firm's top business developers each month and rewarding them.
- Giving a simple bonus to anyone cross-referring work from one of their clients.
- Asking partners and fee earners to start recording new metrics (such as numbers of articles published, seminars delivered, contacts made, work referred, etc.).
- Running workshops to involve people in pooling best practice in business development.
- Providing training to help people quickly build their skills and confidence in business development and selling.

Developing sustainable solutions

Here are some of the people issues to be considered in developing longer-term solutions:

- Do new business targets form part of the objectives of partners and fee earners?
- As well as top line business wins, are people judged on key performance indicators related to business development?
- Are new business wins recognised, rewarded and celebrated?
- Are financial rewards sufficiently aligned with the desired business outcomes to really change behaviour?
- Are the firm's best rainmakers being used fully to bring in more work?
- Are people assessed to identify their strengths and weaknesses in business development?
- Is sufficient training provided to help people transform their skills in business development and selling?
- Are the firm's leaders consistently setting a good example?

2 Overcoming weak financial performance

Analysing the issue

The start point should be to clarify what aspects of financial performance are regarded as weak. Here are just some of the issues a firm will need to address:

- What specific symptoms are causing concern (e.g. low fee income, poor profitability, strains on cash flow)?
- Which of the firm's practice areas and services are most/least profitable?
- Which clients are most/least profitable?
- Which practice areas are most/least demanding on cash resources?
- Which partners/clients are locking up most work in progress (WIP) and debtors?

Some possible quick wins

Some possible quick wins related to financial performance might come from:

- Financially rewarding those with the most improved financial metrics.
- Naming and shaming those who persistently fall below acceptable financial performance benchmarks.
- Running a financial awareness workshop for partners and staff at all levels.

Developing sustainable solutions

To provide lasting solutions it will be important not just to address the symptoms themselves but to look beyond the firm's financial management processes and to trace the causes of poor financial performance. Here are some of the people-related issues to be considered:

- Does the firm have sufficient financial resources to invest in its future and to enable the firm to recruit and retain the people who will be the key to future success?
- Does the firm continue to tolerate attitudes, behaviour and poor financial management by some partners, who do not seem to understand they should be running a business?
- Has the firm clarified where responsibility for financial management lies (managing partner, finance director, department heads, partners, fee earners)?
- Do those responsible really understand the finances of a law firm and how it makes (and loses) money?
- To the extent that junior fee earners have responsibility for financial decisions, are they adequately supervised?
- Do partners have the knowledge, skills and information to price work profitably?
- Do people understand why it is important to fully record billable hours? Do they have incentives to do so?
- Do all partners and staff know what financial 'benchmarks' they should be working to?
- Are there adequate sanctions if people do not perform adequately on matters within their control?
- Are partners and staff given financial information relevant to their role and in an easy-to-understand format?

3 Implementing a partner reward system linked to performance

Analysing the issue

Again, the start point should be to clarify the issues the firm will need to address:

- What is really driving the move to introduce a new reward system?
- What business outcomes and individual behaviours should a new reward system seek to encourage/discourage?
- What are the risks of changing and how can they be minimised?

Some possible quick wins

Some possible quick wins from introducing a new reward mechanism might come from:

- Rewarding key aspects of performance which the firm wishes to encourage.
- Succeeding in retaining partners who might otherwise have left because they felt they were being unfairly rewarded relative to their colleagues.

Developing sustainable solutions

Performance related reward mechanisms, whether wholly performance-based or part of a modified 'lockstep', need to:

- Be designed to help a firm achieve its objective of becoming more competitive.
- Establish individual partner goals and determine the relative contribution of each partner in relation to other partners.
- Strongly emphasise performance and encourage partners to build on their strengths.
- Make partners feel they are not competing against each other, but that they are competing with themselves against concrete goals.
- Reward sustained performance over a period of several years rather than for a 'one off' success.

Other issues to address include:

- How will performance criteria and targets be set? Who will be involved?
- What areas of performance would be included (client service, developing people, managing and enhancing the firm's reputation, developing market share,

improving profitability) and how should they be weighted?

- How will transparency and fairness be achieved?
- How much support would a new approach have? How will remaining partners be won over?
- Is this the right time to introduce a change?
- Does the firm have sufficient profitability to reward high performing partners without depressing the earnings of others below an unacceptable level?
- What non-financial rewards could be used to help achieve the desired outcomes?
- How will partners who perform below an acceptable minimum level be dealt with?

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