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Partner performance - what partners should be doing to earn their money

In today's competitive markets, any law firm that wants to be successful must ensure that the performance of its partners will be actively managed. A firm's partners will therefore need to know the key areas in which their performance will be measured, their performance goals pertaining to each area, how their performance rates in relation to these goals and crucially, how their performance will be rewarded.

Many firms manage and measure partner performance by using a ***Balanced Scorecard*** model *(Kaplan RS & Norton DP, The Balanced Scorecard: Translating Strategy into Action; Harvard Business School Press 1996).* This implies individual performance is not only managed and measured in terms of financial contributions by way of fees earned or hours billed, but also in terms of 'non-billable value added' activities. Performance criteria should also ideally cover both short term profit performance and activities that are an investment in longer-term profitability.

A balanced scorecard approach will focus not only on aspects of financial performance but also on the factors that influence or control financial performance, for example, client relationships, firm growth and personal development. In particular, the approach to managing partner performance will need to be closely aligned with a firm's strategic objectives, if competitive advantage is to be secured and maintained.

It is also important to recognise that partners will contribute in different ways and that it is unrealistic to think that there can be a 'one size fits all' approach to performance. Ideally ***individual*** partner performance plans should be agreed with partners to play to their strengths and to help them to develop in areas where they may need help.

Where should a law firm begin when considering how to actively performance manage its partners?

Identify the key determinants of success

Identifying how a firm regards its key determinants of success is an integral part of helping a firm to manage and measure partner performance.

It is important to view the key determinants of success in a firm from the point of view of the objectives which the firm is attempting to achieve. These objectives are likely to change as a firm's needs change and are likely to be different for each individual and for each part of a firm.

Key determinants of success as viewed by a firm may include:

- Increased revenue and profit
- Winning new work from existing clients
- Winning new clients
- Attracting, developing and retaining talented people
- Expansion into new services, sectors and practice areas
- Introducing efficiencies and new means of service delivery
- Commoditising services

Individual or team performance?

Law firms are now quite complex team organisations and it is often not possible to manage and accurately measure partner performance by looking at the performance of an individual alone.

In a firm where, for example, the only thing managed and the only measurement method is of personal billings by each individual, a 'silo' culture is likely to develop, where each individual partner is a silo, existing as a standalone practice and only concerned with personal billings. This structure will often lead to a situation where there is no cross referral of work between partners who do not make their clients aware of the services others in the firm can provide. Moving to the management and measurement of billings based on ***team performance*** as well as individual performance can provide a more balanced evaluation and begin to create a culture more fertile to the cross referral of work and clients.

Contribution?

Notwithstanding a Balanced Scorecard approach, in most law firms as in any other business cash flow and profitability will be paramount and it is not surprising that financial performance is often prized (and rewarded) above all else. Some examples of the way in which firms measure financial contribution are listed below:

- Profitability per individual and / or practice group
- Revenue per individual and / or practice group
- Working capital management
- New business referrals
- New business won

Some aspects of financial performance such as revenue are relatively easy to measure. On the other hand, profitability which is arguably a more important measure of financial performance than turnover *('turnover is vanity, profit is sanity!')* can be quite difficult to measure in a way which is likely to satisfy everyone because there are different ways to define profit. Measuring a combination of revenue, profit and working capital management for individuals and practice groups can provide a more balanced picture.

Non – financial contribution?

Depending upon a firm's priorities at any given time, some of the following may constitute the most important requirements of partner performance:

- Delegating and sharing work appropriately
- Building teams
- Developing client relationships
- Using non – billable time productively
- Knowledge sharing and adding to a firm's know – how resources
- Managing a firm's risks
- Overall contribution to a firm, including performing leadership and management roles and supporting firm – wide events

One of the most interesting examples I have come across is how a US law firm has tackled the issue of managing and evaluating certain aspects of non-financial performance. Each year a small group of senior partners travel to each office and interview each partner, asking questions that enable them to build a picture of each partner's and each office's performance during the previous year. One of the most important questions they ask is:

'Which other partner or partners have passed you the most work during the previous 12 months?'

This is a clever question because the responses will indicate the flows of work between partners and offices, and identify which partners are not only developing and managing client relationships well, but importantly, are delegating the actual work to those in the firm best suited and qualified to do the work. That firm values not only great client relationship management but also values the sharing of work across the firm. Sharing is then recognised by the way in which the firm's reward system remunerates those partners who share work with others.

Performance should be driven by client satisfaction and needs

Law firms face continual judgement from clients in terms of their skills, their ability to anticipate and respond to market needs and to deliver the service sought. The consistent delivery of high quality advice to clients, delivered in the manner clients will be demanding, will place ever increasing pressures on law firms to ensure that all partners are equipped with the skills and abilities to perform to the highest standards.

And as client satisfaction is often said to be the only real test of success for law firms, then evaluating client satisfaction and understanding what clients (and prospective clients) and referrers will require in the future, in terms of value for money advice and service will be critical if a firm is to set performance goals for its partners.

In today's legal markets, it is paramount that firms **listen** to their clients and referrers, and after careful analysis and evaluation of feedback, act decisively on that feedback. To ignore what clients are saying about a firm's performance cannot be an option if a firm is to successfully compete against its rivals.

Faced with feedback as to how clients consider a law firm is currently performing and how it should be performing if it is to successfully compete, a firm will need to consider ***what its people should be doing differently/better/more of/less of.***

Partner feedback

It is now recognised that it is the people who partners work with and manage who are often in the best position to provide feedback on their performance. The views of partners' peers and their staff can be the most valuable feedback and the most effective form of appraisal to enhance performance.

Accordingly law firms are increasingly using techniques such as 'all round feedback' or '360 degree feedback' whereby the processes of managing high performance and of performance evaluation are carried out by gathering feedback from peers as well as from both more senior and more junior colleagues, or various combinations of all or some of them.

Once a firm has analysed the feedback and the issues and is clear as to the action that will need to be taken, it will need to communicate this to its partners so that they are all clear as to their roles and what performance is required of them. Defining what is expected of partners will also provide greater transparency for those seeking to become partners in the future.

Partner involvement in the process

Partner involvement is essential to achieve success because unless they have a say in the design of a performance management and measurement process, partners are unlikely to be committed to it. Particularly important contributions partners can make are through helping to clarify what is meant by high performance, recognising that partners will contribute in different ways, and to define performance criteria with a view to tailoring the appraisal process that best suits the firm.

Peer on peer feedback can also be useful if, for example, there is a partner or a small group of partners who are **behaving badly** and are 'off limits' to any kind of effective management. This can be difficult, particularly in a smaller firm when action to deal with a sensitive issue can appear unfair or threatening and potentially destroy the collegiate culture of a firm.

Peer group feedback in such situations can involve discreetly obtaining confidential feedback from fellow partners followed by delivering feedback to the partner(s) concerned in a fair, objective and non-threatening manner. This feedback process can be a wake – up call for partners who may otherwise be unaware of how they appear to others, and it can pave the way for follow-up coaching or counselling to address any needs which have been highlighted.

Recognition and reward

When a firm establishes criteria by which performance is to be managed and measured, this is as a result of partners having identified behaviour they value as core to the way in which they wish to build their firm, and because they value such behaviour, they are prepared to reward that behaviour.

The criteria listed below are examples of factors that are likely to reflect behaviours valued in many law firms and which, if firms are to develop and progress, the partners will wish (and need) to fairly reward.

Criteria might be based around the following:

1. **Client service:**
   (a) Work

   - Meeting client needs
   - Technical standards
   - Communication/rapport

   (b) Management

   - Income/profit targets
   - Cash management targets
   - People/teams
   - Group planning
   - Service standards

2. **Business development:**

   - Existing client development
   - Cross-selling/co-selling
   - Winning new clients
   - Marketing the firm's image

3. **Leadership and management:**

   - Motivating people to perform
   - Delegating effectively
   - Providing support and direction

4. **Team relationships:**

   - Commitment to the partnership/participation in partnership affairs
   - Personal integrity and relationships – internally and externally
   - Accountability
   - Firm-wide management

5. **Special projects**

Assessing performance

Any system of performance management (and performance – related reward) will need to be supported by a well – designed and operated **performance review process**, which will be critical to the effective working of the system because it will provide:

- A means by which individual partners can establish goals for the next year;
- A process for communicating to a partner what can be done to raise performance standards and a process by which a partner can ask for help to do so; and
- A means by which partners understand their rating in relation to profit sharing and a forum in which this can be discussed.

The clear message for law firms, which they will ignore at their peril, is that partner performance cannot be left to chance – it needs to be ***actively managed***.

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