

PETER SCOTT CONSULTING

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Partner reward – a help or a blockage to effective business development?

Achieving high performance will matter as never before if law firms are to outperform their rivals, enabling them to generate greater sales and margins, and retain more clients than their competitors. However to succeed in doing this will require law firms to keep innovating and doing things differently. In particular they will have to outperform their rivals in the ways specified by their clients.

To achieve this, all a firm's resources, including its systems and support processes will need to be directed at improving its competitiveness. This is especially necessary in relation to how it manages its business development, which is a critical component of gaining a competitive edge, and its reward structures, both of which will need to be aligned.

A reward system should be seen as a strategic element in achieving competitive advantage over rivals, because ensuring a firm's people are highly motivated should be a primary objective if a firm is to get the best out of its people. However, do the reward systems of law firms encourage their people to become motivated to achieve high performance in relation to business development or do they act as blocks to doing so?

If effective business development is really valued by a law firm, then it should be both measured and rewarded. Unfortunately, while many firms say they value business development, they do not measure results and do not reward them. Take for example the firm where, in response to the question "*What does your firm value?*" many of the partners answered in the following terms -

"The only thing this firm values is personal billing" and

"Why should I share clients with my partners? What good will it do for me?"

That firm had what I would call a 'silo' culture, created by its reward system which was preventing the firm achieving its goals. There was –

- No sharing of work and clients
- No co-selling / cross-selling
- No effort being made to build the entire firm's profile and reputation
- No effective business development being carried out to an overall plan

Compare that with another firm where its reward structure is aligned with achieving the firm's objectives and where every year each partner is asked the following question –

"Which other partner or partners has passed you the most work over the past 12 months?"

That is a great question to ask because it enables that firm to build a picture of which partners are developing work and sharing it across the whole firm. Those partners who develop work, build and maintain client relationships AND who share work and clients with others are some of the most highly rewarded. That firm really does value and reward effective business development.

If a reward system is to encourage more effective business development then the system will need to be structured so that it –

- is consistent with and helps to advance the strategic and business development goals of the firm;
- will help to create a culture of high performance and sharing;
- encourages and develops new and more effective business development skills and behaviours within the firm;
- establishes individual business development goals and plans which are aligned with the firm's overall plans;
- attempts to build on individuals' strengths and move others away from any weaknesses that may exist; and
- relates to sustained business development performance.

If business development effort is to be appropriately and fairly rewarded, then it will first need to be measured and the question which is always asked is *“How can we measure **effective business development?**”*

I emphasise the word 'effective' because business development will be effective for a firm if it achieves that firm's agreed and stated objectives, and this introduces the idea of developing **clear criteria** against which business development results can be measured. If a firm wants its people to achieve high performance in relation to business development then they will need to know –

- The key areas in which their business development efforts will be measured;
- Their performance goals in respect of that business development;
- How their performance rates in relation to those goals; and
- How their performance will be rewarded if those goals are achieved.

In partnerships it is necessary to **take partners with you** and this is especially so when designing criteria against which performance will be measured and rewarded. Accordingly, partners should be involved in clarifying the criteria used to define effective business development because they will then feel that they 'own' the process and will be more likely to work to make the system a success.

A starting point in establishing performance criteria to measure business development might be to identify within a firm those areas of business development where partners are doing well and / or where they could improve. This can be achieved by the twin processes of –

- Self - analysis by every partner of their business development skills and abilities; and
- Comparing that self - analysis with how others see each partner's business development skills.

A self - analysis might focus for example on some of the following areas -

• Excellent client service is a top priority for me
• I take time to question clients to fully understand their needs
• I actively look for opportunities to contribute value for clients
• I manage client expectations effectively
• I am able to demonstrate value to clients, as a basis for value pricing
• I regularly refer work to other parts of the firm
• I maintain an up to date contact database
• I actively network to develop contacts
• I make a special effort to stay in touch with clients and contacts
• I set aside time to get feedback from clients
• I am a good rainmaker for the firm
• I have a full awareness of all the firm's services and actively promote them

One of the most effective and objective methods of obtaining a perspective on a partner's business development skills and behaviour on which to provide a basis for measurement and reward, is 360° or 'all round' feedback, which may involve all or some of the following –

- Feedback from other partners;
- Feedback from those to whom partners report;
- Feedback from staff who report to partners.

A well - structured and managed feedback exercise should aim to provide each partner with an actionable performance development plan in relation to business development (and other performance areas as required) and serve as a basis for reward. Feedback from other partners is vital if a reward system is to be regarded as fair, as is illustrated by the following quote from David Maister –

“Those who contribute the most to the overall success of the office are the most highly rewarded. Notice that this does not suggest what the pay scheme should be. The determining factor is just whether the people think it rewards the right people”

Is your reward system rewarding the right people, and is it working for you to build your competitive edge over your rivals or is it holding you back?

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