

# **Kerma** Partners

# TAG Alliances Fall 2013 Conference

Partner Performance and Remuneration: Encouraging Partners to Compete Together

Michael Roch

Munich: 22 October 2013

### Transforming the Remuneration System of an Independent Firm (1/2)

Case Study: An indvidualistic partner remuneration system was holding back this independent law firm.

## Our Client's Status Quo

- Self-understanding: "modified lock-step"; partners positioned in 10 point increments across 100-400 point scale.
- across 100-400 point scale:

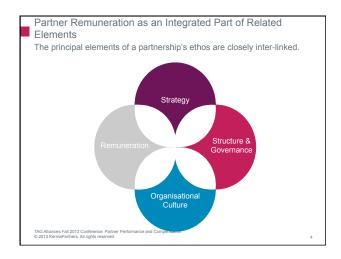
  Actual system as applied: 92% of a
  partner's pay related to his/her individual
  billings: an "eat what you kill" meritocracy!

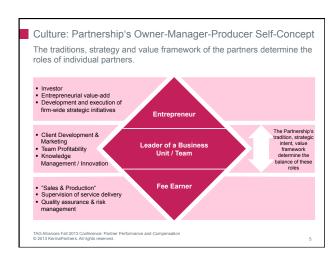
  Beyond billings, partners were expected to
  contribute across 27(1) performance areas
  Neithor business alroging personality little
- Neither business planning nor contribution planning and assessment process - "management" happened once a year – by
- providing points awards up or down Remuneration committee decisions subject to both appeal and partner vote

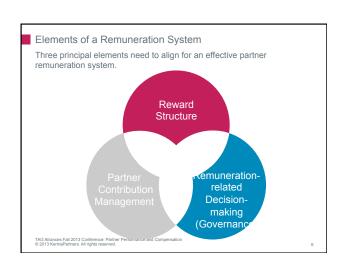
### Our Client's Challenges (Selected)

- Lack of collaboration among partners for new client development and growing wallet share of existing clients slipping against dometic peers and international competition
- Practice leaders at best did not "lead" and at worst abused their "position" (fee earner – manager conflict)
- Partners paid lip-service to strategic diversity effort
- Know-how being horded; at same time too many generalists wrong work in the wrong place
- Partners did not understand reasons for
- small point differences among "peers" Senior lawyers not delegating down
- "Nothing to lose" points appeals

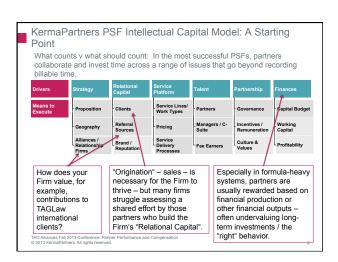
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### Reward Structure: Fundamental Partner Reward Structures Each PSF will have its own variant of one of 9 partner reward structures. Subjectivity is more difficult to manage, but helps avoid manipulation. Indivi-dualisti Degree of Centralisation Egali-tarian Finan-Merito-Multi-Modifed / Manage d Lock-Factor Clean cracy Corpor-ate Fixed Costa-True with Non-(BSC) Merito-Lock-Sharing based/ Hybrid share style step **EWYK** financracy cial Elements



3 Common Difficulties  How Does Your Firm's Remuneration Themes?	System Address these Common
3 Common Difficulties  Assumes just getting the remuneration system "right" will cause partners to behave / contribute the "right" way  "Loose" business planning at team / partner level – against a strategy that is even more "loose"  No matter what contributions agreed, in the end what counts is a partner's supervised billings / billable hours / originations	3 Ways to Address  -
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### Transforming the Remuneration System of an Independent Firm (2/2) Case Study – Results: An evolved partner remuneration and incentive system helped transform this law firm's performance. This Law Firm Today Our intervention Established a clear merit-based tier structure Partners focusing on what they are good at - seeking to "give away" work they don't want to / can't do across 7 bands (with clear differences) Established 6 broad areas of partner contribution - Partners actively seeking out working with . One contribution areas included major "diversity" candidates Senior partners' delegation / moving to relationship management too early to tell "pillar" for giving away work to other partners and for supporting diversity drive Established business planning and partner Firm achieved alliance with Top Tier contribution management process in line with these contribution areas International Firm Best financial year in firm's history Established balanced assessment guidelines Removed the partner vote and right to appeal for a cleaner decision-making process TAG Alliances Fall 2013 Conference: Partner Performance and Compensation © 2013 KermaPartners. All rights reserved.

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- Multi-office law firms (Global 100, UK Top 100, USA AmLaw 100 & 200)

- Leading national and regional law firms in Europe, Asia, Latin America and Africa

- 14 of our clients are law firms that are no. 1 in their jurisdiction by market share or standing

- We also serve accounting firms, real estate advisors, private banks, consulting engineers, "the creatives" and other complex partnerships Strategy development and implementation
 Partner remuneration and partnership structures
 Client relations and brand strategy
 Talent strategy and organizational culture
 Business performance and change management Jur focus on added value

We invest in our client relationships up front to fully
understand – and often help shape – your
understand – and often help shape – your
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sector.
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sustained change – and a sustained ROI.
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Kerma Partners  Management consultants to the professional services sector worldwide.	
London Hong Kong Mexico City Miami Milan Munich	
New York Singapore Zurich Michael Roch Michael.Roch@KermaPartners.com	
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# Session of Your Choice – 1:30 p.m. Option #1: Making the most of Directory and Ranking Opportunities for the Independent Law Firm Maximilian Ballroom Option #2: Tax-Efficient Investments During the Financial Crisis Marstall Suite