The *Fourth* in a Series of **Partner Compensation Structures** "Lockstep"

by Debra L. Bruce, JD, PCC

This is the 4th article in a series of 7 discussing structures that law firms tend to adopt for partner compensation. In Part 1 we discussed the Monarch structure, in Part 2 the Parity structure, and in Part 3 the Executive Committee Monarchy.

Lock Step

Description

This model is used mainly in large, stable, well-established firms that have a lot of institutional clients. It rewards seniority. Usually, all of the lawyers who become partners in the same year are in a class, and make the same compensation. The class as a whole receives an increase in points, which are the basis of allocating profit distributions, when they are elevated to the next level. Typically, the spread between the salary of the highest paid partners and the lowest paid partners is not that large – 3 or 4 to 1 is not uncommon.

When It Works Well

The firm that has existed for decades and serves many clients that need multiple areas of legal expertise, and therefore the clients have strong relationships with many lawyers in the firm, can function well with the lock step system. Often the firm has served Fortune 500 companies longer than the career of any lawyer who could claim origination credit for bringing in the client.

Today the law firm must be highly successful for the system to work, thus most of the ones using this old-fashioned model are in the AmLaw 100. When everyone makes a lot of money, fewer partners quibble about differences.

Proponents of the system claim that, like the parity system, it facilitates teamwork and collegiality by rewarding the group as a whole instead of highlighting a few stars. The system eliminates conflict over credit for bringing in business, billable hours, management time invested, relationship to clients, and other such issues used to differentiate lawyers. That, and the simplicity of calculation, saves a lot of administrative time.

When It Works Poorly

This system can result in "brain drain" when the firm as a whole is not highly successful. In a highly successful firm, the firm superstars may be content with making just a few million, and enjoying relative collegiality among partners. (I say "relative" because lawyers tend to be a competitive bunch, and will still find ways to struggle over pecking order.) When the firm profits per partner (PPP) drop significantly, however, or just fail to keep pace with the published PPP of similar firms, the firm superstars may be lured away for "the big bucks." If their clients have not become sufficiently institutionalized, they will take significant clients with them.

By the same token, if the firm needs to recruit lawyers with a strong reputation and a good book of business to build up a practice area, this system doesn't have the flexibility to mold the compensation to fit the situation.

The lock step system may also tend to reward complacency. Without incentives for change, people tend to do what they have been doing, or perhaps a little less. Most lawyers would rather focus on practicing law than business development, particularly when they haven't been taught the necessary skills for rainmaking. In today's market, however, law firms can't afford to just wait for the phone to ring based on their reputation.

A number of lock step firms find it necessary to invite low-performing partners to leave. This drastic measure erodes trust, morale and collegiality. In a differentiated system, the low-performing partner could be compensated in relation to performance, and might be content with that trade off.

Next: Part 5 Modified Lock Step