

Business & Careers

Enhance loyalty with right compensation approach



David Namkung

A common complaint among managing partners is that this generation of associates has no loyalty, is afraid to work hard and is entitled in an unprecedented way. Employers, however, are more likely to experience less loyal and disconnected associates when they continue to apply dated practice-management approaches to a new generation of lawyers, starting with compensation.

In this ever-evolving legal industry, a major root cause of associate dissatisfaction is the expressed or implied decision firms make to follow an adversarial win-lose approach to annual associate compensation, whereby the employer offers a lowball amount, the associate counters, and both expect to meet somewhere in the middle. This approach encourages partners to downplay their associate's value to the organization while incentivizing associates to inflate their achievements, distracting both parties from aligning themselves towards mutual goals.

The win-lose approach ultimately costs employers by eroding trust, creating anxiety and disempowering associates, leading to less than optimal performance and higher degrees of attrition.

Employers who adopt a win-win framework in associate compensa-

tion understand that their compensation structures must align their associates to their corporate objectives, in order to properly motivate them towards mutual goals. These firms are more successful at keeping their associates happy, productive and effective—and in turn, more profitable.

Employers who do not clearly define a win-win arrangement with their associate tend to default to a win-lose framework based on the nature of the "master/servant" employment relationship.

Employers with win-win frameworks, however, view their associates as team members, not as "servants," and allow them into the huddle to inspire them to accomplish corporate objectives, including gaining a larger share of a client's business, furthering the firm's reputation as a leader in the field, and maximizing profitability. The more profitable the firm, the more generous it can be to its associates. Win-win employers take the time to understand the goals that drive their associates, which usually include developing expertise, competitive pay, and partnership opportunities.

Alternatively, upon exploring the associate's goals, the employer may discover that their respective objectives are incompatible, allowing both parties to proactively manage the relationship. Employers often leave their associates in the dark, fearing that information-sharing will leave the firm vulnerable if their associates flee to their competitors and leverage their knowledge. The bigger danger, however, comes in alienating



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associates from the firm's priorities, which breeds dispassionate lawyers and exponentially increases the likelihood that they will join another employer with a clearer vision for how they fit into their picture.

With a broad understanding of the firm's objectives in mind, it is imperative to define the associate's role within the team and tailor a compensation agreement around it. Does the associate's primary value to the firm's objectives consist in increased billings to existing clients, or to bring in new clients, or to assume management duties to free up time for partners?

Win-win compensation agreements require a high degree of transparency, as associates must have a clear perspective on how their efforts add value to the firm, and in turn benefit them. In large-firm or national-firm environ-

ments, compensation structures tend to be more defined and broadly applied to a large group of associates. In these firms, which typically offer top-of-market salaries, the win-win approach has less to do with salaries and more about having a clear understanding of its associates and their goals, and competitively rewarding exceptional performance. In smaller or boutique environments, an example of a win-win compensation structure is when a firm informs associates of their individual overhead costs, and fix their compensation to their billings beyond overhead and salary, allowing the associates to keep 30 to 60 per cent of their billings beyond certain thresholds.

In this approach, the employer wins by spreading out their fixed costs, and both parties have a clear understanding of the mutual

benefit of excess billings. Other entrepreneurial firms provide origination credits (for example, 10 per cent of whatever is billed by others to the file), even to their junior associates. These firms win by attracting new business and the associate wins by being compensated for bringing in the work.

As Stephen Covey stated in the *Seven Habits of Highly Effective People*, "if you put good people in bad systems, you get bad results." The big challenge is that it takes time, effort and trust to create good systems. There are employers who regularly lose their associates and continue to point the finger at a new generation of lawyers who they believe just aren't willing to work hard anymore. In our experience, this is simply not true, as numerous clients of ours maintain highly productive and loyal associates and have backlogs of applications from top-tier candidates seeking to work in a more rewarding, attentive and innovative environment. Win-win compensation frameworks do not necessarily require paying more; they simply require a clear understanding of your firm's objectives and who you need to attract to accomplish them, and championing compensation structures that meaningfully reward desired outcomes and behaviours.

David Namkung is a director with The Counsel Network in Vancouver, and vice-president of the Federation of Asian Canadian Lawyers (B.C. chapter) and a board member/volunteer at WorkingGear.ca. You can follow him on Twitter @DNamkung.

Manage: Short term expenses will boost bottom line long term

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pull up information that can be referred to in future meetings with potential customers or business people.

Be organized

There is a lot of paper to handle when operating a business, from contracts and tax documents to banking information and client files. It is critical that everything is filed right away. This will save time looking for documents later and will help in keeping track of the day-to-day operations.

Specialize

Don't be everything to everyone. Consider personal strengths and brand yourself accordingly. Specialize in a specific area, build a reputation and business around it, and

dedicate the time to this service. It will help to prevent being pulled in multiple directions. It's always possible to expand to other related services later.

Outsource

As tempting as it is to do every task by ourselves, there is great value in outsourcing services that we don't have any expertise in such as marketing or public relations. Partner with an independent team in the early days. Their input can help frame how the firm should be presented, increase visibility and ultimately help to raise the bottom line.

Interview good people

When looking to expand the team, invest the time in interviewing to ensure the right fit. In addition to skills competency,



It is hard to be effective if every minute of the day is busy. Some of the best business ideas often come during downtime.

Ann Kaplan
iFinance Canada

interview for the values that would make a good addition to the team such as leadership, intelligence, loyalty, etc. The right alignment is extremely import-

ant. A bad hiring choice will cost a firm money. A good hire will be a great investment. Once hired, take the time to train them well so they become reliable team members who can then be trusted to take on key tasks and help ease the workload.

It is important to understand that while it may cost money to outsource services or hire employees to spread out the workload, it can help a firm increase its bottom line in the long term. By delegating some responsibilities like marketing and administration to others, lawyers can focus on the tasks that will bring in additional revenue like client meetings and work. It can be beneficial to map out goals of where the firm will ideally be in one year, five years and 10 years and then staff the firm accordingly to help reach these goals without burning out.

Burnout does not have to be a part of business. By staying organized, delegating work internally to staff members or outsourcing it, the workload can easily be managed. Identify activities or tasks that will help to unwind and schedule that into the day. Don't underestimate the value of personal time. Whether it is exercising or baking or reading, a few minutes away from office work will rest the mind and a rested mind will be much more productive and equipped to succeed.

Ann Kaplan (www.annkaplan.ca) is the president and CEO of iFinance Canada, the largest private non-bank consumer lender in the country. She is a finalist for the 2013 EY Entrepreneur of the Year Award, the recipient of national and international entrepreneurship awards and a published author and mother.