

What Is Expected from a Partner?

By James D. Cotterman

Partnership requirements evolve. Some may still remember the days when after a few years of hard work and having earned the respect of the other partners, an associate was offered a seat at the table. It reflected a more genteel profession and legal marketplace. Today, the requirements for partnership are far more exacting, as are the profession and the marketplace. The partner of tomorrow will need skills and competencies that are different from today. Some we can anticipate; many we cannot yet see with sufficient clarity. What we do know is that law firms make incredibly profound and far-reaching decisions when they offer partnership. It is imperative that firms exercise due diligence in those partnership admission decisions and thereafter as the partners continue on with their careers.

Partner contributions should and do change over time; and partnerships should expect their partners to perform accordingly in order to remain a partner – partnership is not a life tenancy. It is equally important that firm leadership keep a sharp eye on the future to identify how the profession is changing and how the ownership structures of their firms will need to adapt to those changes. The stagnation of equity partner ranks and growth in non-equity partner ranks since the 2008 recession is an example of how partnership structures and expectations can change.

There are now competitors outside the traditional legal profession who are looking at how to serve law firm clients by leveraging technology and utilizing advanced operational design to vastly improve on efficiency, timeliness, cost certainty and value. When they interject themselves, it disrupts the status quo and law firm partners must be ready to combat that new market dynamic.

In recent years it has been imperative that each partner be able to competently use basic technology tools. Now they must do that and more, moving past the basics and venturing into advanced technology tools through experimentation in machine learning, coding and the like.

Partners would do well to learn about pricing techniques, budgeting, cost of service delivery, legal process mapping, and knowledge management. Some may become experts in these disciplines themselves; others will learn the basics so they can interact with the subject experts. Eventually those subject experts may be invited into partnership.

The profile of a law firm's lawyer ranks includes non-equity, income or similarly titled limited-ownership positions, as well as counsel and other lawyer positions. These titles conveyed to lawyers, particularly as they gain experience, have evolved to include an increasing number of place holders. Some extend the journey to partnership, some convey seniority; some assuage egos; and some divide up the partnership ranks into variously invested or limited capacities. However, the answers to who should be made partner are not found in more titles, but in a deeper understanding and accountability for what competencies are required for partners to succeed today and tomorrow.

This article is dedicated to what the partner must contribute to earn her/his seat at the table.

EARNING A SEAT AT THE EQUITY TABLE

Law firm equity partnership carries certain responsibilities. The chief economic responsibilities are a robust practice and capital contributions. Generally, all partners must demonstrate personal productivity. The few exceptions

being those who carry significant leadership/management responsibilities or those transitioning into retirement.

The definition of the first responsibility – a robust practice – has also changed over the years. For a great many years, the importance of any partner's practice was determined by the amount of fees collected each year – more being better. Not much else was considered. Today, a practice is measured by its fit with the firm's strategic intent as well as its contribution to profits (i.e., bottom line instead of top line assessment).

Additionally, partners are expected to engage with each other as members of a team. The definition of 'team' fundamentally varies based on the type of firm one has – i.e., is position play and team score the critical factor, or do individual accolades and performance count most? Many law firms have a cooperative culture, but truly successful firms exhibit a collaborative business development culture that accommodates different roles and styles to field the most competitive team, not merely to elevate a single star.

In addition to originating clients and developing deep business relationships, partners must remain personally productive. Although there should be general guidelines (discussed later), there is room to accommodate different metrics of personal productivity. However, for the vast majority of partners it will be necessary to maintain a fairly high billable hour contribution to justify desired compensation levels.

Equity partners must contribute capital to provide a prudent level of working capital, to partially or fully fund capital investments, to establish reserves and to reinvest for future success. Those investments grow over time, for example to keep pace with technological advances. Because retirees are the largest cohort and have the highest capital accounts, their retirement stresses firm capital and cash flow. And the fewer number of new entrants with smaller capital contributions only partially mitigates this situation.

THE INTANGIBLES REQUIRED OF ALL PARTNERS

There are also a number of intangible contributions that are expected of all partners. Ideally, all partners promote their firm, their colleagues and themselves. Partners should be visible and active in their communities (geographical,

practice and business). Partners elect individual partners who govern and oversee the enterprise. Some partners manage the firm or offices or practices. Partners serve their clients, but also cultivate and nurture those relationships. Hopefully all partners will take up the mantle of teacher and coach to develop talent and build a successful team.

Equally important is an evaluation of each individual as a potential colleague and partner. How s/he treats staff, younger lawyers and clients is important to assessing character and cultural compatibility. This should become apparent as the individual works through the first decade of practice; what you see here will not improve with promotion into partnership.

Many firms will also advocate a duty to stewardship – recognizing that partnership is a transitory role in which partners turn over the firm to future generations; hopefully in better condition than when they accepted their partnership offers. To this end, the partners should address challenges, seize opportunities and pull together when misfortune occurs. Their view of the firm must extend beyond themselves.

If a firm uses lock-step partner compensation (which some still do), then partnership evaluation is even more critically important. Current partners are making a career-long bet on how an individual will develop and whether their development will merit their enhanced compensation over time. In fact, lock-step partner compensation firms tend to be more discerning about the promotion decision and tend to have smaller partnership ranks and greater leverage as their tournament to the top is a tougher hill to climb.

Much is written about the entry requirements for partners. But firms should think across a partner's career and set expectations appropriate to each stage of career progression. What is expected from a young partner at age 35 to 40 should be vastly different from what that partner should be doing at 50 to 55. And both are different from the role of a partner two decades later. These are not differences that are solely addressed through compensation.

PATH TO PARTNERSHIP

The track to partnership is a decade plus endeavor. It is no longer simply about the passage of time, but the

accumulation of experience, wisdom and skills. It is the process of translating book knowledge into counseling and advocacy skills. It requires networking to know and be known. Some individuals might achieve all this more quickly – and others may require more time. What is important is to invest sufficient time developing the right skills to be armed and ready to succeed in the role.

While high profile, high contributor individuals may lateral directly into a firm's equity ranks, it is also common for laterals to come into a firm in a non-equity category to give the new lawyers and the hiring firm time to get acquainted before being eligible for equity consideration. A year or two is common for a senior lateral with solid contributions who has achieved equity partnership in her/his prior firm and two to three years for all other lateral hires in order to allow the partnership to assess possible promotion to equity status.

“WOULD I TRUST THIS INDIVIDUAL TO MANAGE THE RELATIONSHIP WITH OUR MOST VALUED CLIENTS?”

WORK AND SERVICE QUALITY

When I ask firm leadership if either clients or partners have expressed reservations about certain partners working on their matters, I almost always get an unfortunate 'yes' in response. These instances indicate that once partnership is attained there is insufficient accountability for how that individual performs across their career. If admission is difficult; removal is nearly impossible for anything other than an egregious act. At the opposite end of this spectrum; how many partners can truly say they are acknowledged as a "short list" practitioner within their community and field of expertise?

Thus, partners must define and hold each other accountable to a code of conduct that includes work and service quality. Partners are expected to have the ability, experience, knowledge and skill to work with most clients and handle most matters independently with minimal, if any, supervision. This does not mean lawyers should be generalists or that every lawyer and client combination will be the best of friends. But there must be quality control over

work product and service delivery and partners must be held accountable for what they do, or fail to do.

In considering a lawyer for partnership, each partner should ask the following questions regarding this individual's work and service delivery:

- Would I be comfortable with this individual's independent handling of a complex legal matter for a client?
- Would I hire this individual to represent me or a member of my immediate family?
- Would I recommend this individual to a friend?
- Would I trust this individual to independently manage the relationship with our most valued clients?
- Does the legal and business community think highly of this individual's advice and counsel?
- Is this individual regarded as a "good person?"

PROMOTION AND MARKETING

Promotion and marketing are distinct from business development which will be discussed later. Promotion and marketing include writing, speaking, teaching, service on boards and in associations to raise the profile, image and brand awareness of the law firm and its partners in the broad communities in which they operate. In contrast, business development is the targeted client specific activities that lead directly to new clients, enhanced client retention and increased client spend with the firm.

Here are some questions to ask in considering an individual's marketing performance and potential:

- Is this individual active in developing a network of contacts and establishing relationships in the community?
- Does she/he project an understanding of business and legal subject matter that demonstrates experience and expertise through writing and speaking?
- Does this person seek, hold and successfully handle positions in professional organizations related to her/his area of practice?

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- Does this person seek, hold and successfully handle leadership positions in community (civic, charitable and religious) organizations?

PROFESSIONAL DEVELOPMENT

Laws and regulations change. Political movements and public sentiment change. A lawyer's ability to provide advice and counsel is dependent on their understanding of the historical context of current laws and regulations, precedents from court rulings, legislative and regulatory initiatives and the depth and diversity of public sentiment. Further, the means by which we interact with and process knowledge changes at a pace that seems to continually accelerate. To keep up with all of this requires dedication to life-long learning and skill building.

Concurrent with a personal need to continually learn is the obligation to continually teach, mentor and coach others. Career progression and team performance require this investment of time and energy.

How one approaches this and how well s/he performs can be gleaned by asking:

- Does this individual readily share information and work product with others?
- Does this individual assist others to succeed?
- How do other associates, paralegals and staff describe this individual's mentoring, coaching and teaching efforts?
- Does this individual embrace and learn new technology leadership and management skills?
- Does this person seek substantive continuing legal and other education beyond minimum requirements?
- Is this individual a good teacher in that those taught are gaining insights, knowledge and skills?

PERSONAL ATTRIBUTES

Someone once said to be successful, surround yourself with people better and smarter than yourself. Law firms can become better by adopting that credo. A new partner should enhance the reputation and stature of the firm.

To seek individuals whose loyalty, maturity of judgment, honesty, industry, trustworthiness, cooperativeness and team orientation toward the firm are clearly demonstrated is not just a "Mom and apple pie" goal. These attributes speak of fundamental personal and organizational values. If the individual and the organization differ in this area, it is the organization that will suffer. Selecting the right people is possibly the most important decision partners will make for their firm. And partners set the standard that all others will follow. The following excerpts from Jim Collins' book *Good to Great*¹ illustrate this concept well.

"First Who...Then What—Get the right people on the bus first, and the wrong people off the bus, then get the right people in the right seats, and then figure out what direction to drive the company."

"The right people will do the right things and deliver the best results regardless of the incentive system."

"The data showed no pattern linking executive compensation to the process of going from good to great. It proves that it is not how you compensate your executives, it's which executives you compensate in the first place."

"WILL THIS INDIVIDUAL BE A CO-OWNER OR AN EMPLOYEE WITH AN OWNER'S TITLE?"

As the profession grapples with changing service delivery models the concept of teams and how teams function become critically important. The abilities to lead, participate collaboratively, passionately advocate and then embrace and implement the group's decisions are different from the traditional sole advisor or supervisor roles more commonly found within law firms.

But let's not forget the very personal passion a partner can have for her/his firm. Some say those partners identify so closely with their firm that their individual persona and their firms are intertwined. These partners stay and fight for their firm rather than follow an enticing offer to go to greener pastures during difficult times. They are willing to sacrifice

much to preserve their firm and protect the livelihoods of their employees.

Key questions to ask are:

- Do I respect and trust this individual?
- Would I be proud to introduce this individual as my “partner?”
- Will this individual be loyal?
- Do this individual’s actions demonstrate a committed partner or a free agent who looks out primarily for her/himself?
- Will this individual be a co-owner or an employee with an owner’s title?
- Does this individual work well with others?
- Is s/he willing to take on different roles (lead, second chair, advisor and the like) as the situation requires?
- Does this individual accept criticism as a learning and improvement opportunity?
- Does this person share credit for successes and shoulder responsibility for failures?

MANAGEMENT ABILITIES

All partners must manage in some way, even if it’s only managing their service delivery team, client relationships and portfolios of work. Some will be asked to manage practice areas, departments and offices. A few will be tasked with firm-wide management duties including committee assignments. Each will be expected to carry out those roles in an effective and efficient manner.

In assessing management potential, ask:

- Is this individual an active listener?
- Is this individual perceived as fair, accessible, pragmatic?
- Does this individual use bad outcomes as learning experiences?
- Is this individual flexible?
- Is this individual curious and inquisitive?
- Is this individual respected?

- Does this individual read management literature and develop management competencies?
- Would I be willing to allow this individual a significant management role in a business I owned?

FULLY CONTRIBUTING PARTNERS

Fully contributing partners build and sustain a practice that is simultaneously independent of and inter-connected with the firm. They delegate work and supervise those who do it. They cross-sell work to other practices and offices. They manage client relationships and create opportunities for others to participate in those relationships. They do this in a collaborative setting with a keen eye to the long-term goal, rather than the short-term expediency. However necessary and important the external market and client facing roles are, they are not sufficient. Internal roles to govern, manage, teach and coach are equally important to a successful firm and define a fully contributing partner.

Next, I will discuss the economic criteria for admission to partnership in a law firm.

ECONOMIC CONTRIBUTIONS

Partnerships are viable and sustainable only if there is a consistent and sufficient earnings stream to attract talent to the firm. This is accomplished when all timekeepers are personally productive and profitable. Another way of saying this is that there needs to be a balance between the demand for work and the labor doing the work.

The historic, and still primary, law firm business model requires all timekeepers to work hard producing fees. There are some other successful business models for law firms in place and under development. But if your firm follows the mainstay of selling time, then attention to fee production through billable hours is important. Thus, a lawyer who desires partnership must have a record of sustained profitability and productive use of her/his time. While a lawyer may contribute in more ways than simply recording billable hours, the following guidelines for historical annual billable hours are a vital prerequisite.

Equity partners – 1,650

Income partners – 1,750

Senior associates – 1,850

Unfortunately, the profession has not consistently achieved these benchmarks within firms or across years for some time. Annual billable hours per lawyer have been in the range of 1,450 to 1,500 since 2007. Associate billable hours for the same time period have been between 1,560 and 1,680. And income partners have suffered the most, with annual hour totals ranging from 1,320 to 1,570.

Total hours, which include billable hours plus all the other meaningful time a lawyer contributes each year such as marketing, management, teaching, mentoring, client development, training, CLE and the like, should be sustained in the range of 2,300 to 2,700². How the additional hours are used varies based on the individual's role in the firm. But each lawyer should expect to contribute in each category.

Annual fee receipts generated, as a working lawyer, should be in the range of³:

Equity partners – \$680,000 to \$770,000

Income partners – \$520,000 to \$680,000

Senior associates – \$560,000 to \$630,000

Markets vary significantly due to firm size, practice focus and geography. With that in mind we provide the accompanying endnotes to provide sufficient detail for each firm to adjust these guidelines for their market and culture with respect to annual billable and total hours, hourly rates, realization, compensation and overhead.

Equity partners earn significant portions of their income practicing law. Senior associates create additional income opportunity by being profitable. Profit margins in the range of 25% to 35% are appropriate for senior associates as a general rule.

Income partners generally do not bear the risk of compensation loss or capital contribution, but they also generally do not share in the upside potential like equity partners. Firms generally pay income partners better than senior associates. The circumstances in which income partners may be paid more than the remainder from their fee receipts less overhead include consideration of their contribution to business growth and retention, client portfolios and relationships they manage, as well as the mentoring and training they provide associates. A few may

also be recognized for highly specialized expertise and experience that is difficult to replace.

Essentially, the income partner is recapturing a portion of the profit margin previously available to the equity partners when the individual was a senior associate. Profit margins⁴ in the range of 15% to 25% for these individuals is desirable; however, experience has shown that this group often has single digit and negative margins. One must ask if the fact situations leading to these low to no margin results are appropriate or if they are the result of insufficient accountability. And then, what should be done about it? How this is handled is, of course, a decision each firm must make.

CAPITAL CONTRIBUTION

Part of the equity owner admission process is the buy-in and accumulation of capital. All equity partners should contribute working capital to the law firm. The profession's standard to determine buy-ins is to value the firm on the cash basis book value of the firm at year-end and calculate total capital requirements based on the working capital and investment needs of the firm. Note this excludes the value of unbilled time and fees receivable.

An associate should be told about capital contributions well before consideration for partnership. Buy-in is generally not overly burdensome, but it is not immaterial either. A buy-in of 5% to 10% of income each year for two to three years is typical, 15% to 30% of income as an average; however, many firms exceed these levels, some by significant amounts⁵. Some firms will self-finance or arrange for a bank credit facility to assist partners in managing their capital commitments. The amount of required capital varies depending on the firm's business model, growth and investment needs, partner comfort with financial leverage and credit market conditions.

BUSINESS DEVELOPMENT

Business development is the single most important factor to sustain a viable law firm. Having this ability is the most significant performance differentiator between equity and income partners.

An associate may be promoted only to income partner absent a sufficient ability to develop, attract, retain and

grow client relationships. When client generation is not the primary consideration, the lawyer must excel in other ways. Income partners must demonstrate an ability to manage, retain and grow client business, to supervise and train younger lawyers, to practice at a very sophisticated level or to contribute in material ways to evolving business models to be considered for equity partnership.

Ideally, equity partners should be net exporters of work. That is, they must be able to keep themselves busy and provide work to others. This is the essence of the leverage model, although the appropriate leverage structure varies by the nature and type of practice. And it exists unless one is a solo practitioner or simply sharing space with other solo practices (confederation models).

Thus, a law firm should expect an equity partner to support the firm's leverage, maybe not fully upon entry, but within a reasonable period of time. Consider a simple example in which a law firm has one associate for each partner. To fully support the 1:1 leverage, a newly hired equity partner must generate sufficient client work to keep two lawyers busy – again for simplicity, her/himself and an additional lawyer. If the new equity partner is a promoted associate, then the firm must hire two additional associates – one to leverage the newly promoted partner and another associate to replace the leverage vacated by the promotion. And there needs to be sufficient work for all to remain fully utilized. Unfortunately, what is more typical is an expanding partnership within a stagnant lawyer population that over time deleverages the firm.

***“THE EASIER THE ENTRY
CRITERIA, THE MORE
DIFFICULTY THE FIRM WILL
HAVE IN MAINTAINING ITS
BUSINESS MODEL.”***

It may be acceptable to have an equity partner who is simply self-sufficient (able to keep her or himself busy) with business relationships leveraged from existing clients and some developed independently in excess of the expected fee receipts for senior associates. *However, there must be a high level of confidence of meeting the prior paragraph test in due course.* Therefore, one might expect to generate

a minimum of \$600,000 annually in profitable business, sustained each year for three years to enter equity partnership. Many firms will promote a lawyer to equity partnership if an average of the prior three years fees is \$500,000 and the current year is \$600,000. If your firm does this, we recommend that you set an expectation for a \$600,000 average within three years of admission to the equity ranks, but be mindful of the fact that the new partner is far from keeping her/himself fully utilized, let alone contributing meaningfully to leverage.

The easier the partnership entry criteria, the more difficulty the firm will have in maintaining its business model.

These tests are not strictly constructed. It is desirable for partners to work on other's matters and to supervise lawyers who work on their and other partner's matters. This is the vibrancy of cross-selling and a value of group practice. There is also room for a small number of partners who do not do this. However, this number, if sufficiently large relative to the total number of partners, can place significant pressure on the firm. A firm's top business generators cannot sustain ever-increasing requirements to provide work laterally to partners.

The leverage model is best applied at the practice level, designing each practice group to its best configuration. It further applies to the due diligence that one undertakes for lateral hires. Except for special circumstances⁶, a lateral partner candidate should have a client following larger than the firm's current average revenues per equity partner in order for the firm to improve its competitive position and not just its headcount.

ASSESSING BUSINESS DEVELOPMENT

The following sets of characteristics define several types of partners based on business generation ability. It is possible that not all of the categories will be represented in every firm, particularly the first and last categories in the list. Firms should probably not have the next to last category, although a great many do.

1. Net Exporters

Top Business Generator – consistently (year-to-year and in all market conditions) keeps multiple partners, associates and paralegals busy, often across practice areas. That

requires a book of business that is at least \$5,000,000 (many firms will not have such an individual). Her/his personal market presence drives the firm's brand and s/he transitions relationships to others, creating deeper, broader and lasting ties to the clients.

This is the only partner category where one might justify low working lawyer fee receipts. However, the volume of business must clearly be at the upper seven to eight figure level for this to occur. Evaluation of this individual is based on an ability to effectively build and sustain the firm's business, and their effectiveness as a leader.

Leveraging Partner – capable of keeping her/himself and at least two others busy on a consistent basis with a combination of primarily her/his “own” business, supplemented by growing existing client relationships cultivated by others. To do this one should expect to have a book of business that exceeds \$1,800,000. Her/his personal market presence is more prominent than the firm's brand for marketing and s/he works tirelessly at client transition/succession primarily as a benefactor.

These partners need to be personally productive (i.e., performing legal work at acceptable levels) in order to justify the compensation they seek. They are evaluated based on their ability to both work and generate exportable work for their teams and hopefully some for others as well. A key factor differentiating this individual is the success achieved in transferring relationships as benefactor.

Exporting Partner – capable of keeping her/himself busy and contribute meaningfully to others on a consistent basis with a balanced combination of her/his “own” business and existing client relationships. This partner should develop a book of business that will exceed \$1,200,000. This individual leverages her/his personal market presence as well as the firm's brand for marketing. This individual may be less comfortable or skilled at client succession as s/he has primarily benefited from others turning over work and is likely still at a mid-career point. However, client transition/succession is a skill they acknowledge as important.

These partners also need to be personally productive (i.e., performing legal work at acceptable levels) in order to justify the compensation they seek. They are evaluated based on their ability to work, generate exportable work for

their teams and manage/grow relationships from others. A key factor differentiating this individual is the success achieved in transferring relationships as beneficiary.

2. Neutral⁷

Self-Sufficient Partner – can keep the equivalent of her/himself busy, but usually gets a portion of work from others and manages to export a small amount of work to others; this means a book of business of about \$800,000. Note this is materially above the fee revenue for a senior associate and the entry criteria discussed earlier. The economic bar to be invited is not as high as the bar to remain in the partnership.

This individual combines their growing market persona and the firm's brand effectively to market. There is an acknowledgement of the need to involve others and to be a good corporate citizen in that capacity; however, execution is weak.

This is generally a young partner, who is just hitting her/his stride and is not yet positioned in the marketplace to build significant independent work. This person will need to develop into a higher category or excel as a client manager, portfolio manager, team leader or technical expert. This should not be a career option for “very good” lawyers. That, unfortunately, is not good enough.

3. Net Importers⁸

Service Partner – usually a sophisticated lawyer/advisor, client/portfolio manager and team leader, but can also be a young partner in firms where there is only one class of partnership. Generally, does not generate a significant volume of work on her/his own; we are talking about a book of business of at least \$500,000 (the entry level noted earlier). S/he relies significantly on the firm's brand to market and does not meet the test for self-sufficiency.

Evaluation will depend on the situation. If a young partner in a single partnership class law firm, then evaluation will resemble the Self-Sufficient Partner above. If it is the more typical experienced, older lawyer, then the evaluation is based more on ability to manage client relationships, building them where possible, but generally freeing the business generators to move on to other opportunities.

Unfortunately, all too often this is a very good lawyer with an insufficient ability to attract business. Firms struggle with this situation regularly.

Importing Partner – usually an experienced lawyer who does not generate a meaningful volume of work or distinguish her/himself in some other way. They are competent, diligent and good people, but have most likely hit their personal career ceilings. In reality they probably should be counsel or other senior non-partner positions.

Yet, here they are struggling and not meeting expectations as a partner. They know it, their colleagues know it. It is a major gripe of high performers coming through the ranks who consider these individuals “blockers” impeding their path. These individuals do contribute, just not consistently at requisite levels. And they often lack a patron to provide support while they raise the level of their game.

Technical Specialist Partner – sophisticated problem solver, particularly when the issues are complex and unique, often conceptualizes at a precedent setting level. This individual is uncomfortable with the social aspects of client relationships and prefers the intellectual pursuit of the law. S/he will probably not lead a legal team servicing a client, but may lead a project team for a specific issue.

This individual is evaluated on personal productivity and technical expertise. Having this person provides the firm with a competitive advantage so some slippage in personal productivity is acceptable as long as the specialist partner continues to make intellectual contributions that maintain and grow the firm’s reputation for that high level of expertise. These contributions would include white papers, not articles; lecturing/symposiums, not simply teaching at the local law/graduate program; involvement with government policy makers, and the like.

Now I suspect many readers are thinking if I did this our firm would change dramatically. That is probably accurate. Each firm must evaluate itself in light its culture and market. Changes should be prospective, giving time for transitions when necessary.

SUMMARY

Admitting a new partner, either through promotion or lateral insertion, should not be a long-term economic drain on the

other partners. Using investment terminology – it should be accretive and not dilutive to earnings. An investment may be necessary to transition the new partner, but the economic rationality of the decision should present itself very quickly.

Once the admission decision is made the other partners must consider how to bring the individual in and how to compensate her/him. This is always a fundamentally difficult process to undertake. Partners do not want to earn less or devalue their partnership interests and yet they want to maintain a constructive environment in which the new, expanded partnership group can go forward and prosper together. This issue warrants ongoing examination. It is fair to continually ask if the actions are fair and equitable to the collective interests of existing partners and new partners together.

Voting and governance must also be considered. If a firm has evolved beyond the controlling voting block era, this may be less of an issue. But for those firms where founders or another small group have a controlling interest, adding new partners can become a much more difficult event.

Identifying good partners in a pool of good lawyers is no easy task, but it is essential to sustain the firm, to attract future partners and to effectively manage the professionals not chosen to advance. It is essential that the firm communicate expectations during the process, and reinforce those expectations with annual evaluations specifically measured against those required advancement criteria.

One cannot overstate the importance of the people decisions in any organization. Replace ‘business’ with ‘law firm’ and ‘manager’ with ‘partner’ in this excellent excerpt from David Maister’s⁹ *Practice What You Preach* illustrating this point:

“The success of a business is a matter of choosing the right managers. A huge amount of time is spent worrying about and developing corporate strategies, missions, policies and practices. The amount of time spent thinking about screening for and appointing the best managers pales in comparison. It’s time for firms to switch their attention to what really counts.”

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ENDNOTES

1. Jim Collins was on the faculty at the Stanford University Graduate School of Business. He is a co-author of *Built to Last* and is the author of *Good to Great*, the source of these quotes. Both of these books are important studies for any leader/manager.
2. This figure comes from studies that show that professionals contribute 50 to 55 hours per week towards their careers. Averaging 60 hours per week happens with sufficient frequency to be noted, which suggests 2,700 total annual hours. Annual hours are based on approximately 45 productive workweeks in a year (52 less four for vacation, two for holiday and one for personal).
3. Rounded using hourly billing rates of \$465 for senior associates, \$525 for income partners and \$615 for equity partners and realization rates of 82% to 84% (above the average 81% because senior practitioners are generally considered a better value and more experienced such that there is less price push back and fewer inefficiency adjustments).
4. Rounded profit after subtracting \$275,000 to \$350,000 in total compensation (total cash compensation plus employer provided benefits and payroll taxes) and \$190,000 in per timekeeper overhead.
5. The most common situation where capital would be significantly higher are for those firms that do not use bank borrowings to finance infrastructure.
6. Special circumstances may exist where you are filling an expertise gap or bringing on a resource-constrained portfolio that, once on board, will quickly grow to your threshold requirements.
7. In law firms with two tiers of partnership, this position could be equity or income, depending on the facts and circumstances – even within the same firm.
8. In law firms with two tiers of partnership, these positions are “income partners.”
9. David Maister was a professor at the Harvard Business School and a consultant to professional service firms and a prolific author. *Practice What You Preach* is a study of what drives profitability in professional service firms. The author of this article recommends all of his books as part of a law firm leader/manager’s reading library.

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