The 7 Habits of Highly Effective Partners

By Eric Seeger

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It's harder to become a law firm equity partner these days, and harder to remain one as well. According to the Am Law 200 (published May 2008), nearly 85 percent of the highest-grossing firms in the US have established a non-equity tier. Among the firms in the group that do not have non-equity partners, many are highly profitable New York- and Washington-based firms that have always been highly selective about entry into partnership in the first place.

Among the firms in the 2002 Am Law 200, their combined number of equity partners increased by only one percent from 2002 to 2008 while their total number of lawyers increased by 13 percent. Equity partners as a percent of all lawyers decreased from 29 percent to 26 percent. Meanwhile, the number of non-equity partners in those firms increased by 71 percent! Non-equity partners as a percent of all lawyers jumped from 9 percent to 14 percent. Non-equity partners as a percent of all partners increased from 24 percent to 35 percent.

The trends are not limited to large firms. We work with firms of all sizes in every type of practice that have de-equitized partners and lengthened partnership tracks to achieve fairness and profitability goals. Gone are the days when partners were partners for life. As profitability has tightened in many firms and the general economic outlook has become more of a concern, the standards for equity partnership have been raised across the profession and will remain high.

In the present environment, some clarity is helpful regarding what is expected of a law firm equity partner. When the money gets tighter and internal scrutiny increases, players (even longtime veterans) may be forced to compete for their spots on the roster. This article presents seven behaviors that firms need their equity partners to be able to demonstrate each year. This list can be used either to evaluate partners or as a self-assessment tool.

0. Do excellent work.

This is a prerequisite; it doesn't make the numbered list. Frequently when we ask law firm planning or executive committees to list their firm's strengths, they start with "we're excellent lawyers… high quality… ethical, honest, hard working, committed to doing right by the client," which is all great, but those aren't unique strengths. There are many excellent lawyers, or they wouldn't have clients. According to the Altman Weil client survey database, in response to questions about their relationships with specific law firms, fully 95 percent of clients have said that they were completely satisfied (61 percent) or mostly satisfied (34 percent). Doing excellent work is required of a partner, yes, but it's also a given in the clients' eyes, and an expectation of every lawyer in every firm. We can reasonably assume that almost all partners do consistently good work or they wouldn't have gotten this far.

There is an easy (and in our view, essential) way to improve in this area, however, and that is to solicit direct feedback from clients regarding how they define "quality" or "service excellence." Let them tell you what is important to them and in what order of priority. How do they define "responsiveness"? What is "effective staffing"? What are they thinking when they talk about "cost" and "value" and "results"? How do they want to be billed, and how often? Then do what they say. Excellent client service is measurable and should be monitored regularly in a systematic way.

1. Pay for yourself.

Every partner should generate working attorney fee receipts that cover his or her compensation (salary and benefits) plus share of overhead on an annual basis. There are exceptions,

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such as the aging founding partner whose name is synonymous with the firm and who still brings in business despite fewer billable hours, or a lawyer who clearly adds substantial value to the firm in other ways. The general rule, however, is that paying for oneself in terms of working attorney fee receipts is the bare minimum. In most cases there is no excuse for an equity partner not covering his or her own costs.

2. Pay for someone else.

Partners must add value to the firm in addition to their own working attorney receipts. A partner who merely covers his own cost has not contributed lasting value to the firm and has not increased his partners' economic return. That partner has value and is delivering value but is not adding value to the firm.

3. Cross-sell.

A partner should proactively look for opportunities to refer business to other partners and should assist others when asked to help develop client relationships. The focus must be on developing business for the firm in addition to one's personal practice.

I worked with a firm recently whose partners were divided into three self-contained practices with almost zero transfer of business among them. That is not a partnership, it's an expense-sharing arrangement. In a true partnership, each partner is not merely building his own practice, but is helping to feed and grow other business in the firm.

It may sound obvious, but for a lawyer to be able to effectively cross-sell her partners, she has to know what her partners can do. This knowledge is not always shared effectively, particularly in larger firms with numerous practice groups and multiple offices, but the same is often true in small firms as well. It is important that partners share information on their capabilities and successes with one another, formally at partnership meetings and via internal communications such as email and newsletters, and informally through everyday office chat.

4. Develop associates and staff.

Partners should actively teach and train their less experienced colleagues as an investment in the professional capability and longevity of the firm. This can be achieved by means of formal or informal mentoring, internal seminars, training programs, taking associates along to client meetings and sales calls, and so forth. The effective transfer of skill and knowledge should be intentional and systematic. Many firms fall down in this area. Any partner who serves clients at a high level has teachable skills that can and should be passed down. Firms that are known for their ability to successfully involve and develop associates will enjoy greater confidence from their clients, greater options regarding how to staff matters and a competitive advantage over other firms.

5. Play nice.

Some firms have committed their core values to paper, others have not, but most firms have a well-understood code of conduct or set of values that governs behavior in the firm. For example, people are expected to work hard, be honest and treat each other with respect. They should behave in a collaborative, cooperative, team-oriented manner. They should comply with firm policies and procedures.

Even a highly productive business generator cannot be above the rules when it comes to basic financial hygiene: getting their time in, billing and collecting. Their excellent work doesn't count if it doesn't get recorded, billed and collected. The more visible they are in terms of their

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Partner Contribution Checklist

Use this quick checklist for evaluating partners in your firm — or yourself.

0. Do excellent work.
- Does the partner consistently deliver the highest quality work product and client service?
- Are the partner's clients regularly surveyed or contacted to assure that their expectations are being met?

1. Pay for yourself.
- Does the partner cover his or her costs (salary + benefits + overhead)?
- If not, does he or she clearly add substantial value to the firm in other ways?

2. Pay for someone else.
- Is the partner responsible for working attorney receipts to the firm beyond his own billable hours?
- Is he increasing his partners' economic return?

3. Cross-sell.
- Does the partner attempt to understand the rest of the firm's capabilities?
- Does she actively look for opportunities to refer business to other partners?
- Has she successfully generated new business for other practices in the firm?

4. Develop associates and staff.
- Does the partner pass-on what and who he knows?
- Is he systematic in his efforts to do so?

5. Play nice.
- Does the partner abide by the firm's (stated or unstated) core values?
- Is she a team player?
- Does she have an honorable reputation that upholds the firm's image?

6. Help manage the firm.
- Does the partner do his part to contribute to the effective management of the firm?

7. Represent the firm in the community.
- Is the partner out there being seen, in ways that benefit the firm?

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financial contribution, the more important it is that they set the right example by adhering to reasonable management policies that make the firm go, and by not complaining about such things.

Many firms have had to deal with the problem of a huge business generator who just wouldn't cooperate with firm policies and caused conflict and tension in the firm. How do we lay down the law to a person who is responsible for bringing so much revenue into the firm? It isn't easy but it is necessary. Most firms that have done so (including those who ejected the offending partner) have told us afterward that they wish they had dealt with the situation much earlier.

6. Help manage the firm.

Not all partners will serve in official (titled) leadership or management capacities like Managing Partner, Executive Committee, Compensation Committee, Practice Group Leader, Administrative Partner or Marketing Partner. They may serve on other committees, or on ad hoc task groups, or as mentors to associates, or by dealing with insurance or leases, or in no formal capacity at all. Maybe a certain partner is gifted at mediating others' interpersonal disputes and makes his contribution that way. The important point is that each partner is willing to do his or her part to contribute to the effective management of the firm and at the very least is not keeping others from doing so. Also, all partners must effectively manage client relationships and manage the work.

7. Represent the firm in the community.

If a partner is successfully bringing in business for himself and others, he is probably already representing the firm in the community — by serving on boards and in associations, for example. Other activities may include speaking, writing, teaching and being quoted in the press. These activities promote awareness of the firm and its capabilities in a positive way.

Firm leadership should determine policy and make individual decisions on whether certain types of activities further the business objectives of the firm. Should Jennifer pursue a leadership position in that organization? Should Ron take that high profile pro bono case? Should we support this politician or that one? Decisions like these should be made strategically and should be centrally coordinated to advance firm and practice goals.

A Word About Non-Equity Partners

Firms with non-equity partnership tiers tend to populate that category with three types of lawyers — senior associates who are not quite or not yet partner material; former equity partners who have failed to maintain (or who never did contribute) an acceptable level of contribution; and good lawyers who are not equity caliber but are valuable contributors and would be sorely missed.

The key to non-equity partnership status is that it is not forever! We recommend that firms avoid allowing this category to become too large for a number of reasons. If these lawyers are not likely to ever achieve or regain equity status, then they are blocking opportunities for high-potential associates. Non-equity partners can contribute to morale problems in the firm by complaining about not being valued for their "other" contributions. They can be seen by others in the firm as a protected class, not required to earn their keep, exempt from the high standards to which others are held. A large contingent of non-equity partners can send the message inside and outside the firm that mediocrity is tolerated in your firm, which is not good for business.

Thorny Implications

Once you've decided what "equity partner" means in your firm by setting forth the expectations and declaring your collective intent to achieve them — what else needs to be done? Make sure you have answered the following questions, without beating them to death or trying to think up every possible scenario.

- Why have we established clearly defined obligations for equity partners?
- Have we defined them thoroughly but not too thoroughly?
- Are we equipped to measure or evaluate the contributions we are expecting?
- What will be the consequence of non-compliance?
- How seriously will we take "violations" and enforcement?
- Who decides?
- Starting when?
- What will we do if our enforcement efforts don't work?

It may sound harsh to suggest that lawyers who are not making the minimum expected contribution in each of the seven areas above should not become or should not remain equity partners in your firm. However, the notion of law firm equity ownership carries responsibilities and mutual obligations that must be met to ensure fairness, cohesion and profitability. Partners should agree on what those responsibilities will be and then hold each other accountable for achieving them.

Conclusion

Equity partners enjoy benefits of ownership in which other lawyers in the firm do not share. In exchange, they have agreed to make contributions to the firm over and above what is expected of their non-equity colleagues. Membership in the ownership group should be reasonably fluid to include and exclude lawyers based on their recent and projected level of contribution and commitment. That is fair.

It is not fair to the highest contributors to not require some minimum level of contribution from all partners. In the extreme, when the highest contributors start feeling like they have been "carrying" low producers, and that the inequity is only going to get worse, that's when they entertain offers to take their books of business elsewhere, which compounds the problems in the firms they left. Less extreme outcomes include bickering, dissention, ultimatums and management headaches. To avoid such problems, law firms will do themselves a favor by defining the obligations of partnership, in measurable terms wherever possible, and enforcing those standards fairly and firmly. Some short-term pain in this regard will normally result in long-term gain for the firm. ◆

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Habits 1, 2 and 3 – Making Rain

Habits 1, 2 and 3 involve business development — the economic component of a partner's contribution and the lifeblood of any firm. An equity partner must be making active efforts to bring in enough business to keep himself and others busy.

There are five basic types of partner, based on business generation capability.

- **Entrepreneurial Leader**
  Keeps multiple timekeepers busy, controls at least $2 million in business and drives the firm's brand. Some firms won't have a partner of this type.
- **Business Generating Partner**
  Keeps himself and at least one other timekeeper busy and has a personal reputation in the marketplace.
- **Self-sufficient Partner**
  Keeps herself busy, receives work from others, may export some work to other timekeepers and is a good corporate citizen. A young partner on her way up may meet this description.
- **Service Partner**
  Manages work, clients and perhaps other lawyers but is not self-sufficient.
- **Technical Specialist Partner**
  A sophisticated problem solver but not a natural leader.

Each firm needs to define what is expected from an equity partner, where to draw the line and how brightly to draw it. Not every lawyer is going to become a big rainmaker. However, every partner must make ongoing efforts to maintain and increase business. In general, equity partners should become net exporters of work. Having too many non-business generating partners constrains profitability, competitiveness and growth. Compensation should be linked to contribution, where those who contribute the most are the most highly rewarded.