

# How Mid-Sized Law Firms Stay Competitive and Attract the Best Attorneys

**Summary:** Attorneys often gravitate toward large or small firms after law school. Learn how mid-sized firms can remain competitive.

Some say mid-sized firms will eventually become extinct. With a shrinking market and growing competitors, the squeeze is definitely on, but they can still compete with the right tools.

Included in the small firm's tool chest should be a solid compensation formula that attracts and retains rainmakers and a marketing system that helps everyone to grow.

A primary concern with most compensation systems is how to pay everyone without offending anyone. No matter how you slice it, some lawyers will be paid more than others in most firms.

Whether the hierarchy in a firm is implied or real, there will be rainmakers and there will be grinders. The trick is to get a system that distributes money based on relative value without being complicated or controversial.

See the following articles for more information:

- [Pay to Win--How to Make Your Law Firm's Compensation System an Asset](#)
- [Guide to Law Firm Associate Hiring, Training, and Promotion](#)

The structure and culture within a firm can often be predicted by looking at its compensation system. While each has its own nuances, most systems fall into one of four types -- and some are better than others when it comes to recruiting and retaining attorneys who perform. This article identifies four types of compensation systems, and some pros and cons of each.

## Equality or Parity System

The most rudimentary compensation type is based on equality or "parity," which means "we all split the profits evenly."

This system usually grows from a partnership where two (or more) attorneys go into practice together, contribute to running the firm and bringing in clients, then divide up all profits evenly.

While such a system is attractive to an attorney desiring a small shop and an even piece of the pie, it will not attract multiple rainmakers.

Maintaining and recruiting attorneys at varying career levels becomes difficult with parity systems in place because, while they are straightforward on paper, they do not take into account how much each attorney is really contributing to the firm. When a firm divides profits evenly but each attorney is no longer contributing equally or needs time to "ramp up" the practice, a new system is necessary.

## The 'Lock Step' System

The next type of compensation, the lock step system, often develops when parity systems are no longer working. This system brings into play the concept of seniority and enables the more seasoned lawyers (presumably) with a greater number of clients to be paid more than junior lawyers with fewer clients.

The term "lock step" comes from the idea that an attorney starts at one level and, as seniority grows, so does the compensation level and paycheck. It's based on preset formulas without specifically tracking individual performance.

Thus, if an attorney's contribution failed to increase -- or even lessened -- the firm is still locked into a high pay level for an unproductive attorney. More importantly, younger producers may feel under-compensated and may migrate elsewhere.

- **See [The Argument for Eliminating Lock-Step Partner Compensation](#) for more information.**

Lock step systems usually attract lawyers who appreciate a guaranteed progression in pay and seniority, but can also enable them to underperform over time. For these reasons, lock step systems are difficult to use as a recruiting tool and are becoming rare.

### Subjective Compensation

A third category, subjective compensation, factors in the opinions and authority of a managing partner or committee when determining an attorney's pay.

There are many approaches within the subjective arena and many factors to consider when setting up these systems. Most subjective systems do have a hard data element involved. However, data is only part of the big picture and ultimately, the attorney's pay is determined by decision makers within the firm. This may be a tough pill for established rainmakers to swallow if they are not part of the decision-making process.

When it comes to recruiting, subjective systems may attract attorneys who respect or tolerate a "management structure." These systems are particularly useful to large firms that require a certain hierarchy to manage a massive group of "employees." Management is able to pick and choose who they'll hire and how they'll pay because they have plenty of work for talented grinding attorneys.

However, for rainmakers who like autonomy and who value pay based strictly on performance, subjective systems may not be attractive.

### Objective Compensation

[If a mid-sized firm has attorneys at varying levels of seniority and productivity, what kind of compensation works? It depends on the goals of the firm.](#)

For most firms, the goal is to recruit and retain rainmakers as well as productive grinding attorneys. Keeping these people happy often means not messing with their paychecks. In this situation, the answer may be a purely objective system that relies strictly on a mathematical formula.

With objective compensation, attorneys know where they stand. A formula is established to track the amount of work brought in and performed by every attorney in the firm. Regardless of how the calculations are set up, they all rely on determining a mathematical value for each attorney and splitting the money based on those values.

Many productive attorneys gravitate to firms for their objective compensation systems. Such attorneys don't want to get caught up in the politics and management issues of firms with subjective systems. Instead, they want to originate/grind out the work and get paid accordingly.

It's easy to see where a mid-sized firm with an objective system is attractive for this type of attorney. The attorney would have the backing of a reasonably-sized firm and the autonomy to make what he is worth. Objective systems are common in plaintiffs' contingent fee firms, but relatively rare in mid-sized business

firms. There is an advantage in the competition for rainmakers for those few firms that have objective systems.

One criticism of objective systems is that they don't measure or place value on other important skills such as cross-selling, training and firm management. One way to allow for management-related activities is to separate them from the standard origination and grinding numbers and pay attorneys a salary for performing such duties. When it comes to cross-selling and training, the firm's marketing function becomes important.

## Marketing and Development

A relatively new trend for mid-sized and even small firms is the implementation of a formal marketing function. One of the marketing director's tasks is to cultivate valuable skills in attorneys, such as the ability to successfully interact with and sell their services to prospective clients. These intangible skills aren't measured under most compensation systems, but they are critical to the survival of the business.

Of greater importance though, is the marketing director's ability to offer strategic advice that's valuable to rainmakers who have been at the game for so long. A firm with the ability to continually look forward and offer direction to its attorneys is more attractive than a firm which relies on the rainmakers to have all the answers. [Thus, the combination of an objective compensation system, attorney development, and strategic marketing can be just the right formula for some mid-sized firms.](#)

Like most things in life, what works for one does not work for all. [But every firm would agree that staying competitive depends upon attracting, developing and retaining quality attorneys.](#)