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Avoiding the Side-Effects of Lockstep

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ep compensation schemes are often presented as the glue that keeps ership together. A lockstep is supposed to erase conflicts of interests among ers, facilitate cross selling and client sharing, ensure a smooth and effective handling of cross-disciplinary projects, enhance team spirit and cohesion, allow greater specialisation of individuals and therefore a higher degree of expertise overall. A lockstep allegedly also allows clients to enjoy a genuine team experience when working with the law firm, instead of undergoing an addition of isolated relationships with a collection of unrelated individual lawyers. Finally, a lockstep, especially in full service or multi-niche firms, offers a form of solidarity among partners and collective resilience that is particularly appreciated in times of crisis.

And to a large extent, this is true. A lockstep is often at the core of an efficient, collaborative partnership. Some firms try to achieve operational integration (in terms of cross selling, cross-disciplinary teams, etc.) but their efforts consistently fail because they don't have a compensation system to support their ambition and to send the right signals to the partners. When partnerships want to evolve towards greater integration (and there are an increasing number of reasons why business law firms should want that), transforming the compensation system into some kind of lockstep is often a "condition precedent".

The mistake, however, would be to believe that lockstep systems are intrinsically virtuous, that they function like a magic trick to produce happily and successfully integrated partnerships. As we have noticed many times, a lockstep can have dangerous side effects, and the way to operate them can be very counter-productive. We discuss below some of these undesired aspects of lockstep, and how to avoid them.

The trick of measuring individual performance

A first risk of a lockstep is to encourage free riding, or to put it otherwise, to allow under-performance. "If I get my money based on seniority, why should I sweat?" This is why, as David Maister rightly says, there can't be a successful lockstep without a certain degree of intolerance for underperformance. If partners can take it easy and get away with it, the lockstep is condemned. Partners must be encouraged to maintain at least an

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acceptable level of performance: to move up in the lockstep, partners must pass some kind of "performance test", at least at some important milestones. This requires monitoring and measuring. Often, however, the monitoring is based on figures: turnover, margin, etc. In other words, the measurements and incentives that were the problem in the previous eat-what-you-kill system are being re-introduced in the new lockstep system. Partners get the message that what is determining for their advancement in the lockstep is their individual financial performance. This triggers, of course, exactly those behaviours that the architects of the lockstep wanted to get rid of: protection of one's clients, partners doing a little bit of everything instead of specialising, reluctance to share client information, knowledge and tools, poor internal communication, no team work, and a permanent tournament among partners.

The conclusion is that, in a lockstep, although it remains important to assess individual performance, this performance should not be centred on individual financial performance. Even if such financial performance remains a dimension to be taken into consideration, other parameters must be assessed: if the establishment of a lockstep is all about developing team spirit, cross-selling, sharing of information, cross-disciplinary project teams, firm-wide quality standards, etc., these are the parameters that must be assessed: how does the partner contribute to the team spirit? To what extent is he cross-selling his partners? How productive is he in creating and sharing common tools and knowledge? How willing is he to play the game of cross-disciplinary project teams, sending "his" associates to other projects and working with associates from other groups?

Too much transparency about figures

Another risky practice in a lockstep is to make figures about individual financial performance available to all partners. Even when no sanctions are attached to such performance, the mere fact of distributing this information among partners is sufficient to trigger the self-protective reflexes that a lockstep is precisely meant to avoid.

Some firm, in a desire to be "transparent", circulate individual financial figures on a monthly basis. We have witnessed more than once the effect of that sort of communication, and it is often disastrous from a partnership perspective: it drives partners to focus their energy on improving their own figures instead of "playing the team".

We generally find it much wiser when individual figures are only known to the managing partner, and when the managing partner has the authority and the responsibility to assess individual financial performance and to intervene when a problem of under-performance arises.

Discouraging high performers

If the first risk of a lockstep is to give under-performers a free ride, it can also have counter-productive effects at the other extreme of the performance spectrum: high achievers may be discouraged to work hard. Why work more than the others, if the

additional income will be equally spread among everyone? Working more than others is economically stupid: you are heavily taxed on any work you do above the average. To be in an optimal position, a partner should therefore do neither less nor more than the average. Lockstep may therefore have the effect of levelling down performance. Mediocrity becomes the norm.

This can in particular be seen when partners have financial targets. If some partners struggle to reach their targets, others easily exceed them. But what do they do once they have reached the target? Do they keep working and invoicing for the rest of the year? We have seen such high-performing partners who, once they have reached their target for the year, substantially reduced their work or stopped invoicing until the next year. That may be a wise lifestyle choice, but often it is more often an undesired side effect of lockstep with targets.

Integration is not just about money

Another reason why a lockstep may fail to deliver the virtuous effects expected from it is that it takes more than financial incentives to build a cohesive partnership. If partners only focus on how to maximise individual earnings, they will always find to play against or around the system to their personal benefit. Strong partnerships are based on more than individual financial incentives. What you need is *affectio societatis*. Above all, partners must be united by a common project that transcends their individual interest, a shared vision of what they want to become collectively. This vision must be translated in values, in long-term objectives and programs. It does not make sense to share the profits if you don't share the undertaking. A lockstep system may be a good way to support a collaborative partnership, but it is hardly a sufficient measure to create one. A lockstep is a necessary but not a sufficient condition for a strong partnership.

The bigger the expectations, the bigger the disappointment when the lockstep fails to "magically" transform the individualistic firm into a cohesive team. The problem is not the lockstep, which may be technically all right, but the absence of a convincing "ethical foundation" for the partnership. Laying such foundation, creating a truly integrative culture around a vision, a mission and deeply shared core values is necessary for the lockstep to unfold its potential benefits. Laying the foundation is not enough: the partnership culture must be kept alive. Creating an inspiring vision is not a matter of paperwork. It's not about putting nice principles on paper and then forgetting the paper in the bottom of a drawer. The spirit of the partnership (whether it takes the form of a project, an ethical code, core values, a mission statement, a vision, etc.) must keep flowing through the veins of the firm. It is an ever-lasting effort that needs rituals and repetition to be kept alive and real. ■