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Paying lawyers what they're worth

By ROBERT SAWHNEY

LAW firms in Singapore are becoming increasingly concerned about the liberalisation in the market and the changes that may bring about in terms of both competition for clients and competition for talent.



Your recent report ('Law firms hike salaries, slice bonuses', BT, March 4) highlights the reactions of some of the largest local firms, which essentially is to raise pay. The efficacy of such actions in terms of retaining talent and boosting competitiveness is questionable.

Law firms, like other professional service firms, compete in two markets: the market for clients and the market for talent. Since law firms rely on the human capital in the firm for delivering client value, it is crucial that they have the systems in place to develop and motivate good people.

The key question then becomes: is pay a significant motivator of lawyers as well as a significant factor in their decision making to stay at a firm?

The problem is more complex than it seems. Research from the US shows that lawyers have some of the highest levels of job dissatisfaction among professionals and the American Bar Association points out that billable hour requirements are one of the major reasons.

The focus on time billing and realisation inside law firms is a cultural issue that not only affects lawyer satisfaction but ultimately affects competitiveness as well, because the ability to deliver client value resides in the firm's human capital.

Pay may be one factor in motivation but there are, in fact, a multitude of factors that affect a lawyer's motivation, and in particular the choice of new associates/staff about which firm they will join. These include:

- Firm culture and collegiality
- Opportunity for pro bono work
- Reputation of firm and type of work
- Opportunity for varied development and client work
- Diversity
- Alternative career progression and partnerships tracks
- Work/life balance consideration
- Firm strategy and brand (internal and external branding)

Take an example. One of the major criticisms of law firms is the way they

develop new associates. Endless hours of document reviews do very little to train the lawyer for marketplace realities nor give the lawyer the clientfacing and business skills they need to be successful in the long run.

The more progressive firms (and, indeed, law schools) are recognising this and giving opportunities to these associates to develop business skills, such as working on client engagements. This type of learning opportunity has a substantial impact on a person's motivation and job satisfaction.

However, to achieve some of the examples highlighted requires a change of mindset and cultural shift within the firm. This often involves the destructive nature of billable hour requirements. The best firms are now limiting the number of hours juniors need to bill in order to give them the opportunity to work on projects and initiatives that are important to them.

This then requires a change in the way people are appraised and remunerated. The traditional remuneration model in law firms is that of lock step, whereby pay increases are based on seniority and length of time in the firm. More and more firms are now moving to merit-based remuneration systems whereby reward is linked to performance.

This makes intuitive sense, but for law firms it is a big change. It requires strong leadership, coaching, mentorship, and a new system of appraising people based on key performance indicators that look at soft skills (that is, communication) and not just hard, time-based figures.

These examples should highlight the somewhat complex nature of lawyer satisfaction and salaries. Law firms will have to make systemic changes to compete in the changing environment and band-aid approaches such as raising pay are not going to be sustainable.

Sustainable approaches will be ones where the firm has the courage to take a good look at itself and make the necessary cultural adaptations that enhance competitiveness over the medium to long term. This involves a strong integration of strategy, marketing, HR, KM (knowledge management) and leadership.

While there is little doubt that pay is an important factor, it is erroneous to believe that just because you pay the highest salaries in the market, you will get and retain the best people.

The new generation of lawyers (Gen Y) are looking for more, and it is those firms that understand this that will be able to compete in both markets: for clients and for talent.

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