

The Lockstep Misnomer

Meritocracies are not necessary if all partners are making an equal contribution to a firm.

By Nick Jarrett-Kerr

There is something very appealing about the collegiality of professional partnerships in which profits are shared equally amongst its partners. Such a method of sharing profits is invariably (and wrongly, in my view) described as a lockstep system.

The description of a partnership profit sharing system should reflect the underlying principle behind it, and the principle behind the equality system is egalitarian. Lockstep (which I prefer to call "the standard progression") merely describes the methodology by which a partner can proceed to equality by pre-defined steps over a pre-ordained period of time.

What is clear is that there is no one-size-fits-all partner profit sharing system for law firms. All agree that equality does not suit every firm, and there are many hybrids and variations which modify the principle of standard progression.

So what system is best, and how do firms choose between the different models? Size is one factor, as is culture and history. Systems also play a part, as accurate measurements of performance indicators is critical, where levels of compensation differ between partners based on their performance and contributions.

But the biggest determinant of all is (or should be) the firm's overall strategy. Firms with a strategic focus on growth driven by the activities of high-performing partners are likely to want a system which recognizes different levels of contribution, while firms whose

strategies rely on teamwork to develop further a strong base of firm-specific capital will lean towards a more egalitarian model.

Many firms gain the best of all worlds by a tri-partite corporate model in which the partners' everyday efforts are recognized by a base "salary," their successes by a bonus system, and their long-term contribution by a proprietorial stake which delivers an annual "dividend."

But I, for one, hope that the equal-sharing profit sharing system retains a rightful place in the firmament of partner profit sharing systems long into the future.