



STELLAR PERFORMANCE 2023

Collaboration: The Key to Success in Originations, Billing, and Compensation

7th Annual Survey | February 2024

COLLABORATION: THE KEY TO SUCCESS IN ORIGINATIONS, BILLING, AND COMPENSATION

Collaboration on legal matters has the potential to be a huge engine of growth for law firms. Collaboration makes a firm more *sticky* in the mind of clients, ultimately bringing the firm a higher share of wallet. Collaboration also increases the chances that a firm will become the client's *go-to* source across a range of specializations and matters.

This *Stellar Performance Report* takes an in-depth look at collaboration through the lens of Thomson Reuters Stand-out Lawyers — an elite group nominated by their clients. Some 2,400 members of this exclusive group of lawyers from around the globe participated in a survey addressing a wide range of issues surrounding collaboration: individual preferences, the benefits of collaboration, barriers to collaborating, and opportunities for firms to foster collaboration. By comparing this data with earlier reports, we are also able to draw some conclusions about the effect of pandemic-driven working styles on collaboration.

This research finds that the benefits of collaboration between partners are impressive: Higher collaboration is linked to increased billable hours, more work billed, and higher originations.

Our research also found that a law firm culture promoting collaboration is linked to non-monetary benefits as well, such as a stronger sense of engagement among fee-earners, because collaboration helps create and strengthen ties within the firm. It also improves the strength of a firm's innovation.

2,400

lawyers responded,
90% of whom
were partners



Higher collaboration is linked to increased billable hours, more work billed, and higher originations.

COLLABORATION IN A NEW WORLD OF WORK

To better understand and analyze the state of collaboration within law firms, we developed a collaboration index to measure the frequency with which lawyers work with others. Specifically, the index incorporates:

- a) The proportion of matters on which a lawyer worked that were not self-originated
- b) The proportion of self-originated matters that involved other partners from within the same practice
- c) The proportion of self-originated matters that involved other partners from other practices

According to these measures, collaboration on matters is slightly higher than it was before the pandemic, measuring 0.43 in 2022, compared to 0.42 in 2018¹. Remote work doesn't seem to have affected collaboration on matters — although, anecdotally, partners say that buy-in and collaboration on firm initiatives is lower. Given the increased connectivity enabled by pandemic work requirements, relationships between offices may be better, but those within a local office may have suffered.

Our data suggests that the extent to which partners collaborate with each other on matters is not related to how many days a week they're in the office. It is notable that lawyers who are in the office the most do make more introductions of their colleagues to clients, although currently, this doesn't seem to affect their ultimate levels of collaboration. For reference, a stand-out lawyer will typically make a new introduction between a client and a colleague 10 times in a year. In four-out-of-10 cases, this results in the colleague going on to win new business with that client. This is in addition to the six-out-of-10 times in which the lawyer and colleague will go on to collaborate together on a matter with the client.

Collaboration and firm culture

The level of collaboration between partners is no doubt driven by personal preference and working styles, but our research does find evidence that firm culture has a role to play. When asked what they value most about their firms, those at both ends of the collaboration spectrum — the super collaborators and the lone operators — placed their colleagues and culture at the top. But lone operators are more likely to mention “independence/freedom”, while super collaborators are more likely to mention the “collegial” nature of their firm.

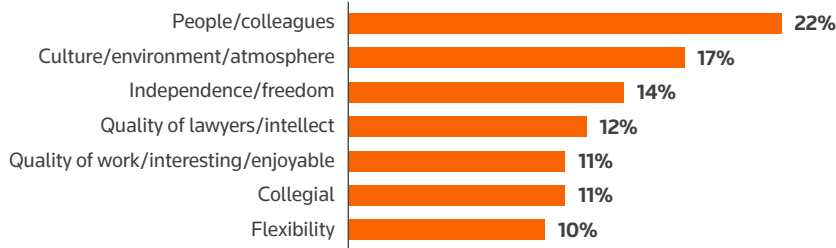
When asked to describe their firm's key attributes, lone operators are more likely than super collaborators to mention their firm's flexibility, and less likely to focus on a collaborative culture. This suggests that while firm culture may also be influential, it's important for firm leaders to create an environment that provides opportunities for lawyers to interact with their colleagues in an intentional way.

¹ Collaboration index = average of a, b & c. Higher index score indicates a greater incidence of collaboration on matters.

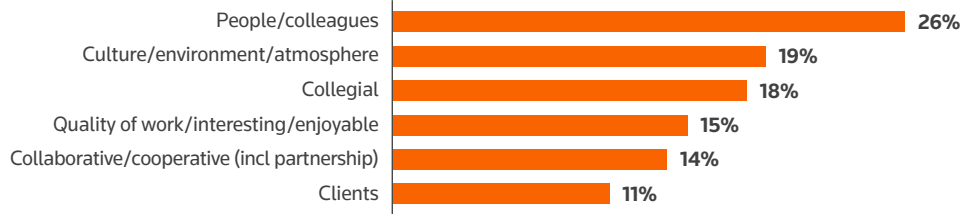
Figure 1: **Lone operators value freedom and flexibility**

Lone operators are those lawyers with a lower collaboration index score; super collaborators have the highest CI score.

Lone operators like most about a firm:



Super collaborators like most about firm:

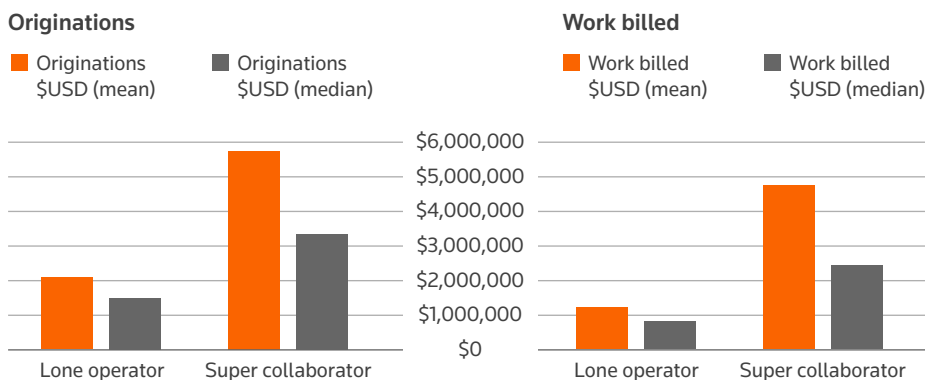


Source: Thomson Reuters

Collaborative cultures are unlikely to arise by happy accident. Stand-out lawyers who rate their firm highly for its collaborative culture are also likely to rate the firm highly on other aspects, such as “I am treated fairly”, “opportunities for growth”, “current leadership” and “firm direction and strategy.” Firm leadership that provides strong direction also sets the preconditions for collaboration, among them, a shared and clear understanding of growth potential.

Super collaborators vs. lone operators

A higher level of collaboration is linked to much higher matter originations and value of work billed. Collaboration enables partners to win bigger matters, which are likely to have a higher value than work that can be won by a single partner.

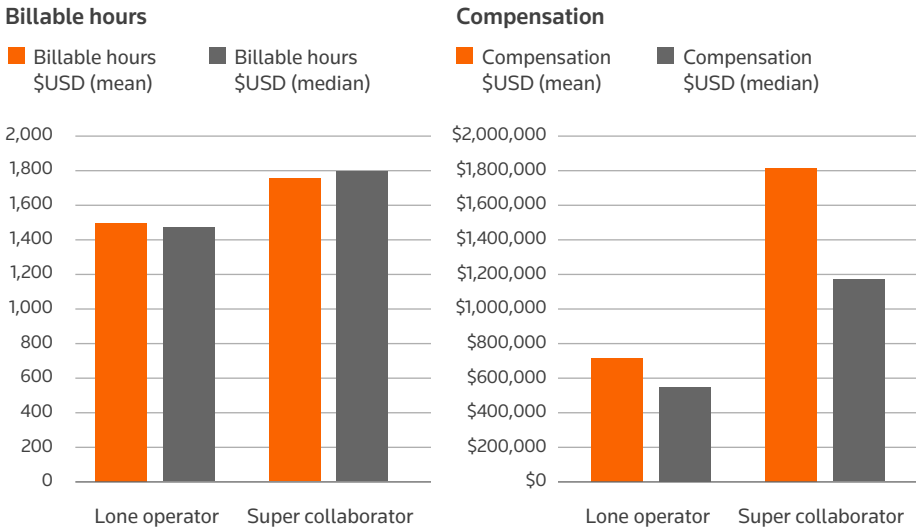
Figure 2: **Collaboration on matters linked to financial success**

Note: Charts show global averages. Responses in other currencies have been converted into U.S. Dollars for analysis purposes.

Source: Thomson Reuters

Why should a lone operator be open to collaborating more frequently? While it's difficult to separate cause from effect, the difference in financial performance between super collaborators and lone operators is striking.

Figure 3: **Collaboration on matters linked to financial success**

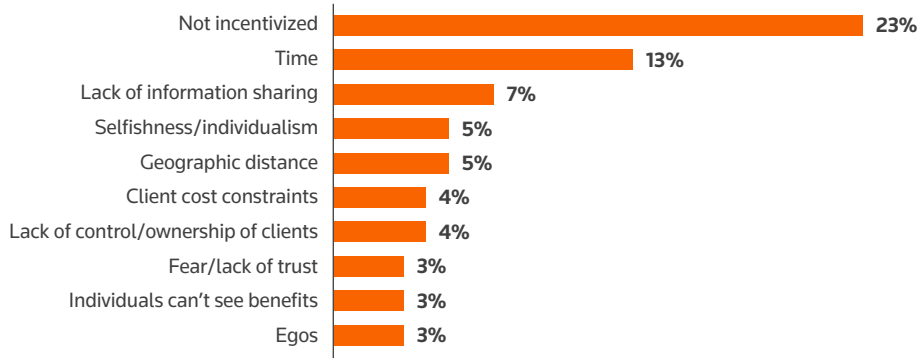


Note: Charts show global averages. Responses in other currencies have been converted into U.S. Dollars for analysis purposes. Source: Thomson Reuters

Despite the strong correlation between collaboration and compensation, 69% of stand-out lawyers said they still faced barriers to collaboration. The top reason for failure to collaborate, they said, was a lack of incentives to do so.

Figure 4: **Collaboration barriers: compensation, bad behaviors and practice constraints**

69% of all stand-out lawyers perceive barriers to collaboration



Source: Thomson Reuters

Given that higher compensation is so tightly linked with collaboration, there could be a misperception among even stand-out lawyers about the financial benefits of collaboration. It's also true that some firms' compensation systems reward collaborative behavior better than others. In fact, some firms cite collaboration as an element of a lawyer's bonus, but not all. Non-equity partners were most likely to say they weren't incentivized to collaborate — but for them, perhaps, the financial impact is not as obvious.

Partners will also frequently say they simply don't have time to collaborate. While all partners are busy, in this case, *time* is often a matter of what can be billed. If time spent arranging a collaboration — from an introductory meeting onward — can't be explicitly valued by the firm in some way, partners are less likely to make the effort.

Further, information sharing may be a structural problem or a cultural one. Partners may not have the resources to easily figure out which other parties should be brought in on a matter. A firm may have a customer relationship management (CRM) system to track all their work, but that does little to encourage collaboration if the systems are not consistently used. Partners also may not be sure which information should be shared when making a referral, or they may hesitate if they don't have sufficient knowledge of, or trust in, their colleagues. While "fear/lack of trust" is only mentioned by a small percentage of stand-out lawyers, it is possible that these lawyers see their colleagues more as competitors than teammates.

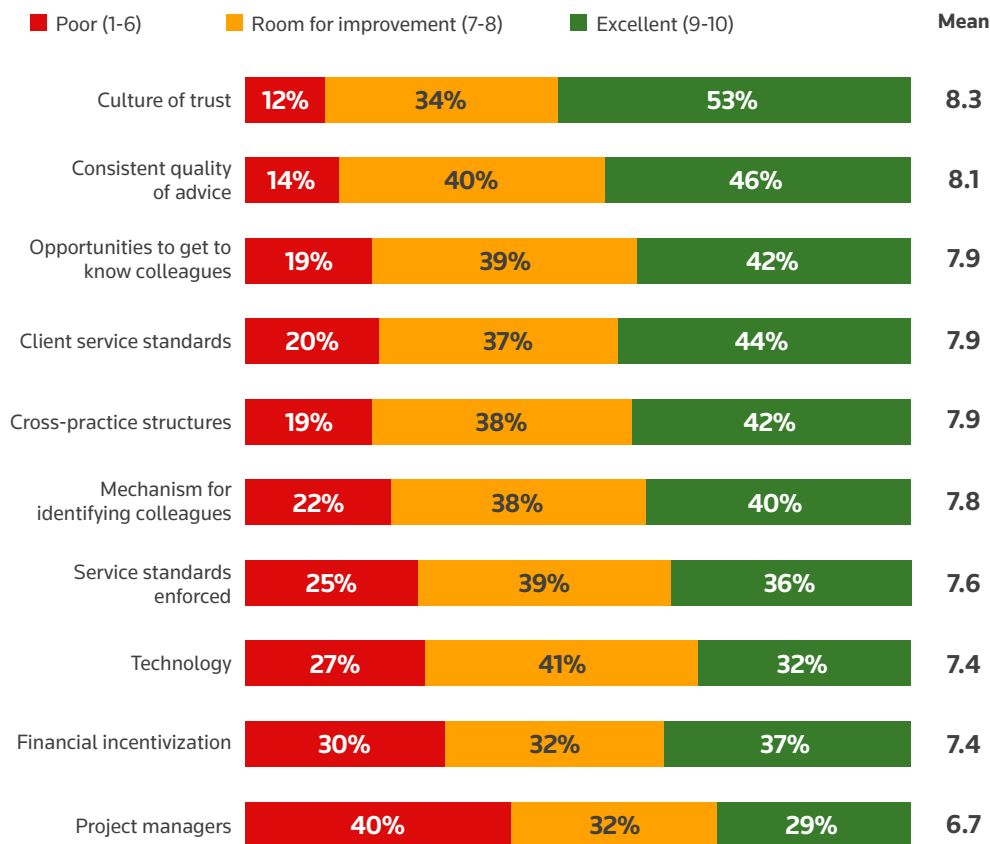
Clear expectations are a foundation of collaboration, which in a law firm setting boils down to a consistent quality of advice that is provided to the client, and clear and enforced service standards. (Indeed, this may also be related to the "fear/lack of trust" response.) Partners are understandably sensitive to their clients' preferences and needs and they have to be confident that their colleagues are aware of and will abide by the standards and expectations that have been established with clients.



FOSTERING COLLABORATION

Law firms have ample opportunities, both cultural and structural, to increase collaboration between lawyers. When asked about factors that could be influencing partners' willingness (or lack thereof) to engage in collaboration, lawyers were likely to rate the "culture of trust" and a "consistent quality of advice" coming from their firm fairly high, although respondents were less positive about the enforcement of "client service standards".

Figure 5: **Technology, project managers and financial incentivization needed to improve collaboration**



Note percentages may not add to 100% due to rounding.

Source: Thomson Reuters

Firms tend to struggle more when it comes to offering practical support to help collaboration run smoothly, notably cross-practice structures (such as industry groups), mechanisms for identifying colleagues, technology, and project managers. Financial incentivization, as discussed before, also gets a low ranking. It's important to remember that success in each of these areas is highly correlated with improved collaboration.

The specific factors most closely associated with higher collaboration are cross-practice groups, a culture of trust, and financial incentives. When it comes to internal referrals, cross-practice groups are again the most important factor. The next two are opportunities to meet colleagues, and a mechanism for identifying the appropriate colleagues.

TOWARD IMPROVED COLLABORATION

In 2023, we see that measures of collaboration are very consistent with pre-pandemic levels. Ratings of trust and confidence in the quality of advice provided throughout one's firm is uneven, with about half of lawyers rating their firm's overall quality of advice an 8 or lower. This shows that while lawyers may be willing to bring select colleagues into deals with them, firms have not convinced their stand-out lawyers that they can institutionalize their client relationships.

That being said, there are still many opportunities for firms to improve levels of collaboration. Cross-practice groups, such as industry sector teams, are strongly associated with higher levels of collaboration. Providing the right technology to support collaboration, as well as project managers to help smooth the way, could also increase levels of collaboration.

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A lack of direct financial incentives is also holding back some partners, especially non-equity partners. To improve collaboration, firms could change their compensation packages to make sure collaboration is explicitly included. It's also important to actively educate and communicate the impact that collaboration has on key performance metrics such as originations and hours billed. They should also make clear the direct tie collaboration has with compensation even if collaboration isn't a separate line item in a firm's compensation formula.

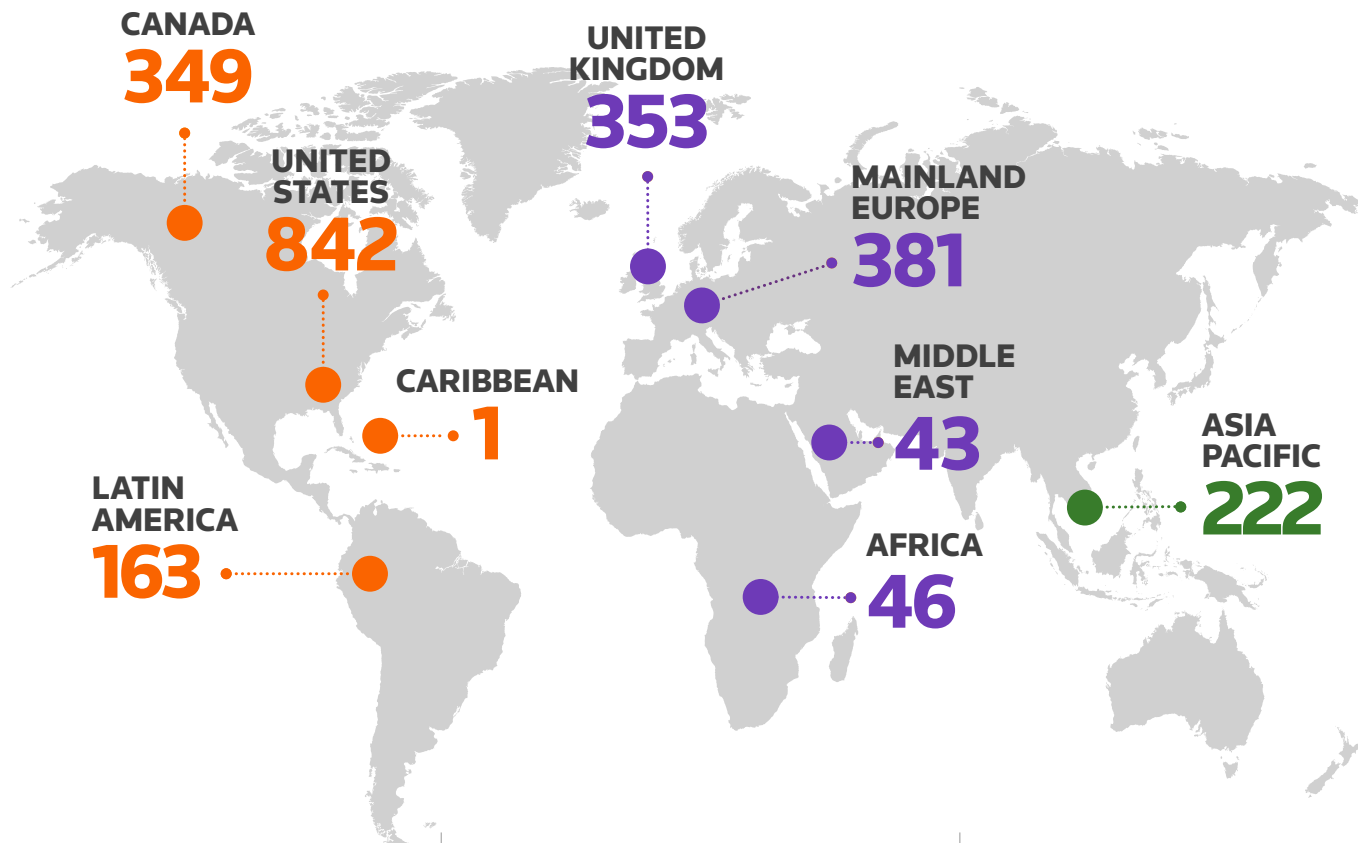
Our research results suggest that law firms should be actively working to ensure that their lawyers are supported and encouraged to collaborate more often, and have the appropriate support to ensure those collaborations are successful. Certain actions will help provide that foundation, including:

- ***Encouraging networking within the firm*** — The difficulty of finding the right colleagues to refer on a matter can be a significant barrier to collaboration. Firm leadership should be encouraging lawyers to take advantage of the connectivity that was established during the shift to pandemic-era working arrangements and expand their networks within the firm. Firms that don't currently have industry sector or other cross-practice groups should establish them.
- ***Developing and implementing service standards*** — These actions will enhance consistency in the client experience, and build both client and fee-earner confidence that referrals within the firm will be good for both clients and the firm.
- ***Initiating increased internal engagement*** — Leadership should make proactive efforts to uncover and understand any structural or cultural factors that could be hindering collaboration. In so doing, it's important for leaders to bear in mind the preferences and demands of their firm's diverse demographic groups, especially given that super collaborators tend to value their firm's culture quite highly.

By addressing potential cultural and structural aspects of a firm and the way lawyers work within it, these tactics can have a significant impact on collaboration between lawyers.

METHODOLOGY

This report discusses the findings of a self-completed web survey, distributed to lawyers who were nominated as "stand-out" in our ongoing, random-sampled Sharplegal survey of law firm clients. This year, 2,400 lawyers responded, 90% of whom were law firm partners. We would like to thank every one of those exceptional lawyers for taking the time to support our study and share their perspective on what law firms need to be doing to enable them to work at their best and continue to deliver exceptional client service.



2,153
PARTNERS

OF WHICH

1,801
ARE EQUITY
PARTNERS

25%
ARE FEMALE

(2% prefer not to state)

13%
ARE UNDER
40 YEARS OLD

73%
ARE MALE

11%
ARE OVER
60 YEARS OLD

12%
WOULD CONSIDER
THEMSELVES PART
OF AN ETHNIC
MINORITY GROUP

WANT TO REAP THE REWARDS OF COLLABORATING TEAMS?

Clients spend an average of 56% of their external legal spend with teams who have three stand-out lawyers.

With access to the latest empirical Strategic Insights research, the Thomson Reuters Advisory team can share with you the successful ingredients needed to achieve effective collaboration, as well as how to overcome the barriers.

To learn more about how our Advisory team can help your firm make data-driven decisions that will help ensure successful firm growth, profitably and exceeding client and top talent expectations, book a free consultation with:

- **Jen Dezso**
Jen.Dezso@thomsonreuters.com

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