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# Axiology and Attorney Compensation

Dr. Robert Kinsel Smith

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In this article I summarize how the science of formal axiology can shed light on discussions about setting attorneys' compensation. I also review mistakes that compensation committees have made, how the thinking biases of committee members affect the committees' outcomes, and what is important to consider when determining compensation.

## Formal Axiology

Formal axiology, developed by Dr. Robert S. Hartman in 1955, is a deductive science of value. Axiologists address areas that are classically addressed by psychology, sociology, and decision making, while its deductive nature makes it more like physics. It is based on Dr. Hartman's definition of the three dimensions of value, their specific and distinct properties, the isomorphic relationship of those dimensions to mathematical systems, It enables us to model and measure human decision-making and the relationships defined by those mathematical models.

The three dimensions of value are the cornerstone of the science. Just as distance and time had to be defined and quantifiable in order to develop a formula for velocity, so too, the dimensions of value had to be defined and quantifiable to develop a formula of decision making. Using Husserl's and Moore's work as a spring board, Dr. Hartman categorized the ways that we can know things into three groups that he called the dimensions of value. We value everything in one of these three ways or in a combination of these ways. These dimensions of value are called systemic, extrinsic, and intrinsic value.

## Systemic Value

The dimension of formal constructs, to know something as an idea or concept.

This dimension is the one of definitions or ideals, goals, structured thinking, policies, procedures, rules, laws, oughts and shoulds. Its nature is perfection. If a person values something or someone systemically, then that object must fulfill every element of the concept perfectly, or it does not exist as that concept. In other words, you either have obeyed the law (a combination of constructs of how we should act) or you have broken the law (the non-fulfillment of at least one element of the idea). A woman is either pregnant (a definition of a state of being) or is not pregnant (does not fulfill all of the elements of the definition of pregnant). **Here the value is based on total and complete fulfillment of an idea - this is knowing a thing as an idea.** There is no middle ground or partial fulfillment in systemic value. You either perfectly fulfill the concept (ideal, definition, law, policy, etc.) and thus you are that thing, or you do not fulfill the concept and thus you are not that thing. This is commonly referred to as absolute or structured thinking.

Too much attention to this dimension results in behavior that is too focused on doing things by the book, preoccupied with precedent, planning and having things be done perfectly, a tendency

to measure everything and everyone against a preset idea of how they should be, and an inability to be comfortable with changes, unpredictable opportunities, personal feelings, indefensible opinions, and surprises.

When a person ignores this dimension, the resultant behavior is an unwillingness to submit to policies and rules imposed from the outside, disorder, a skepticism about the value of spending time and money planning for the future, an unwillingness or inability to hold others to standards and literal agreements, an impatience with processes, and an uneasiness when systems are in place and running smoothly. No doubt you know someone who will never put his agreements in writing – it is very likely that he undervalues systemic value.

## Extrinsic Value

The dimension of abstracting properties to compare things to each other. This is thinking practically and knowing something experientially.

Extrinsic value is the dimension of comparisons, relative and practical thinking. It includes the elements of the real, material world, comparisons of good/better/best, and seeing **things as they compare with other things**. This is seeing things and their properties as they apply to practical situations.

To say "Please go get my good shoes" is to ask a person to extrinsically value the shoes in the closet. Right now a specific pair of shoes better fulfills the meaning of "good" than any other pair of shoes in the closet. At another point in the week, a different pair of shoes has the combination of properties that make it better suited for the present task, therefore it is the best choice. It is possible that no pair of shoes perfectly fulfills the definition of "good shoes", yet one will be better than the others. Comparing is valuing extrinsically. So the extrinsic dimension is one of determining how rich in properties a particular object or person is in comparison to another object or person. This

dimension is not actually addressing the thing itself. It is addressing how richly the thing or person contains the properties of the group or class to which it belongs.

To value a person extrinsically is to compare that person in relation to other persons. A common example of this is seen in the setting of wages for a speaker. If the particular speaker is better than a poor speaker, who gets paid \$200 per talk, and is not as good as the best speaker, who gets paid \$50,000 per talk, then the speaker in question should be paid something between two hundred and fifty thousand dollars for a speech. Here we are dealing with relative value, one of comparing real properties. Clients use extrinsic thinking whenever deciding to hire one lawyer over a host of others. To extrinsically value the different candidates is to look at the properties they have that apply to doing the job. When they set minimum standards for those being considered (full service firm, licensed, experienced) they are valuing systemically (we either meet the standards or don't). After they have a group of attorneys who have passed the systemic standards, they then start comparing the lawyers to each other. They are not comparing them based on who they are (which would be intrinsic valuing), they are comparing them based on what they are able to do, the skill sets they bring to the task, and which one brings those skills that would best be able to handle the particular matter. This dimension is one of results and common sense thinking, tactical planning, role satisfaction, and social fulfillment. This is the primary dimension of business.

When a person is too attentive to extrinsic value, the resultant behavior will be an overemphasis on getting things done now, an over sensitivity to political and practical aspects of things and people, a focus on money and status, and a need for things to constantly be changing, getting visible results, and moving forward.

When a person does not pay enough attention to extrinsic value, the resultant behavior will be a tendency to avoid unpredictable situations, a discounting of the energy and effort required to get things accomplished, a naiveté concerning

the power and usefulness of political dynamics and timing, and an avoidance or ignoring of the fulfilling of social norms and values. These people do not like contexts where the parameters and risks are unmeasured, relative comparisons, or factors that appear to be superficial or temporary.

*Good lawyers know the law...  
Great lawyers know the judge.*

## **Intrinsic Value**

The dimension of uniqueness and singularity, knowing things personally.

This is the dimension of "being," **of a person or thing as it exists in itself.** There is no comparing. There is no fulfilling of concepts. The fulfillment of a concept (systemic) or the paying attention to properties (extrinsic) are not relevant because this is knowing the 'essence' or 'being' of the object. This is the valuing of an object or person with an eye toward its singularity, uniqueness, feelings, or spiritual being. This is knowing things personally: the thing itself.

When describing or valuing persons or objects in this dimension, one becomes personally involved with the object/person. There is a self-giving to the object/person which is not present in valuing extrinsically or systemically. The object/person is being valued and recognized as irreplaceable because it is felt to be unique. Intrinsic valuation is displayed in phrases like, "You're the **ONLY** girl in the world!", "I LOVE you, just as you are.", "That is an heirloom and is **PRICELESS.**" From the perspective of systemic and extrinsic valuing, intrinsic statements make no sense.

Intrinsic valuing is the act of loving, personally relating, empathizing, sympathizing, or intuitively feeling. It is a focus on the wholeness of the person or thing. When an artist intrinsically values her painting, she treats it as a unique object that has its own essence and being.

When an attorney values his work intrinsically, he takes criticism about that work personally. When a businessman values his children intrinsically, he loves them and singles them out because of who they are. If he only values them intrinsically, he will give them business responsibilities for which they are not competent, experienced or skilled. After all, "They are family!" The intrinsic value is usually identified as the dimension of poets, artists, mystics, advertisers, chefs, theologians, and musicians.

Knowing this way is not analyzing but it's personally connecting, relating, feeling or empathizing. When a person pays too much attention to intrinsic value, he will be overly attentive to the good in others (see "potential" instead of what the person actually does), have a tendency to avoid putting others in uncomfortable positions (and give them the benefit of the doubt for mistakes or failings), and sense a need to have feelings be satisfied in order for a decision to be a good decision.

When a person pays too little attention to the intrinsic value, the resultant behavior will be suspicion of the intentions of others, a tendency to see others functionally or as part of a system (instead of treating people as unique individuals), and a distant, protected or cold behavior when relating to others one on one or addressing matters that touch personal concerns of others.

## **Be Dimensionally Consistent**

One useful byproduct of formal axiology is that it can function as an outline or framework to help us see what is appropriate when facing decisions or solving problems. In Hartman's system, something that is finite cannot ever have properties that are consistent or compatible with something that is infinite. In Moore's system, something that is two-dimensional cannot ever have properties that are consistent or compatible with either one or three-dimensional dimensions. Both Dr. Hartman's transfinite mathematical system

and Dr. Mark Moore's quantum wave theory lead us to the same conclusion:

*each dimension has its own properties that are not able to be part of those of another dimension.*

This leads to a number of conclusions that are very helpful in a business or problem-solving context. Dimensional consistency means that:

1. In order to solve a problem, we must use solutions with the same properties that are found in the problem. In other words, we must use solutions or responses that are rich in personal properties to address a problem that is loaded with personal aspects, extrinsically loaded solutions for extrinsic problems, and systemically loaded solutions for systemic properties.

For example: if we use a practical or logical solution for a personal problem, we will not effectively solve or address the problem. We see this principle being violated on a regular basis when husbands require a logical explanation from their wives or teenaged daughters about why they feel the ways they do. We also see labor attorneys wrongly counseling their clients to not meet face to face and talk with the plaintiff in a personal way in sexual harassment cases. Axiology enables us to predict that the incidence of revenge-motivated suits will be dramatically higher when executives ignore the intrinsic violations that need intrinsic solutions in these cases.

2. How a person knows things can be very different from what actually comprises those things. While our focus must be on the properties that actually are present, how the parties view the matter must also be addressed when implementing a solution. A common example of how people misunderstand the issue at hand is found in people selling their homes. Real estate agents rightly see that the task of selling a house is practical (extrinsic). That is what selling a house entails: getting buyers to decide to pay money for this

particular house because it is seen as the best choice. Once the deal points are agreed upon, then the task is predominantly systemic; paperwork, schedules, fulfillment of promises, and compliance with the applicable laws.

Good agents also know that how the sellers and how the buyers think about buying and selling houses is critical to being effective, because houses are things to which people often assign a lot of personal value. Selling a house is predominantly practical and legal in its properties, yet to the seller and to the buyer it can be loaded with personal, intrinsic properties. Effective handling of this kind of situation only happens if all three aspects are addressed and not confused with one another. Because sellers confuse their intrinsic, personal valuing with the process of selling their houses, they often want to overprice their homes. Their personal connections add value to things that detract from the practical elements that buyers are evaluating. Sellers value a particular room because it is loaded with warm, personal memories while buyers see it as a dark and small room that really doesn't seem to be too useful.

3. Each dimension has its own relationship to and characteristic of time, so the dimensions cannot be substituted for each other. Knowing the nature of time within the dimensions can be helpful because it is very common for people to wrongly expect that extrinsic things (like money, bonuses, or titles of recognition or status) will have long lasting, on-going effects. Axiology points out that time in the extrinsic dimension is present time: here and now. The future only lives as a concept in our minds, so it resides in the systemic dimension. If a manager wants an action or thing to have lasting effects, he either needs to use things with systemic properties (systems, consistency, predictable outcomes, etc.), or connect to personal relationships that will weather the span of time (as long as those partners are in the firm). A person will not be satisfied for any length of time via compensation.

## Compensation and Axiology

When we look at compensation we find that people value compensation in all three ways, while the nature of compensation itself is principally extrinsic. Compensation is money a person gets for products and services. Work is valued in a practical way and which is measured in money. Money is one of the simplest forms of comparing in our society; the things that cost more are "better." Payment for services is extrinsic and present time. The moneys we are paid today come because of value we've created today (understanding that sometimes "today" can have a multi-year scope). While the ability to get a particular job can easily have intrinsic properties (a referral from a personal friend) or systemic properties (the work of a company that secured by court order), the preponderance of properties present in compensation are extrinsic.

It is critical that compensation decisions address and satisfy the extrinsic properties of compensation. To the extent that the other two dimensions are present, it is also important to address those thoroughly. But as long as compensation is rich in extrinsic properties, then issues pertaining to extrinsic issues (relative, practical, now) must be addressed and not dismissed or delayed for another day.

## Culture and Structure

Compensation is one of the key ways that management exercises its authority over the firm. While culture is the cluster of behaviors that the powerful or majority enforce (going home late, working or not working on Saturdays, not telling crude jokes, etc.), the structure of the firm is what the authorities reward or punish - it can also be called firm governance. Culture directs what people do when others are watching, structure affects what people do when no one is watching. Compensation is part of the structure of the firm that is enforced and protected by the authorities. When giving bonuses for generating new work is part of the firm's structure, then we will usually see lawyers do

what it takes to get new clients or new work (or we will hear clamoring for origination credits from nooks and crannies in the firm we had forgotten even existed!). If acting nice and not complaining about management are behaviors that are rewarded, then we see poor producers act nice and get involved in "back-of-the-house" tasks in order to insure that their comp will remain unchanged.

This article is not intended to move firms to an "eat what you kill" system. Compensation committees must insure that the intrinsic, extrinsic, and systemic elements are attended to in proportions consistent with what is best for the firm today and for the future of the firm. So we cannot be strategically naïve by setting up a system of compensation that does not incorporate material and consistent support of behaviors that lead to the likelihood of future success. A large firm here in Dallas ignored this in past years by rewarding those who generated staggering revenues by creating risky tax shelters that put the entire firm at risk. The be all and end all is not the revenue solely, in spite of what your plaintiff attorney friends may believe. So it behooves the compensation committee to know and integrate the cultural, structural, and political elements of the firm into their compensation decisions.

## Comp Committee Errors - Improperly Proportioned Choices

Compensation committees often place too much emphasis on systemic elements in comparison to extrinsic elements. The task of the committee is to properly proportion the three different dimensions to arrive at the best solutions. Remember that arguments within one dimension will not make sense from the perspective of the other two dimensions. Some systemic arguments that lead to too much systemic consideration include:

- i. how long the specific attorney has been with the firm (longevity, loyalty, part of the firm's history). This is not to say that this has no value, because it often is given too much value.

When valuing this, it is critical that the extrinsic properties not be dismissed or devalued. I've seen firms pay long-time partners for more than three years, salaries that were more than the gross revenues those lawyers generated in each of those years.

ii. how dutifully a specific attorney has fulfilled the requirements of the firm (billed 1,800 hours, served on a committee, etc.) without regard to whether those requirements had any correlation to profitability or real useful value of the firm (too low of a billing rate, poor realization rate, ineffective committee work, etc.). I worked with firm that viewed a section head as a great producer and asset because he billed its client more than \$2.75 million in one year. What they ignored was that the work for that client cost the firm more than \$3.4 million to produce.

iii. how effective the specific attorney has been in the past or how effective the compensation committee believes that attorney will be in the future – while not giving appropriate attention to what the attorney is actually producing for the firm. Here the committee is focusing on ideas of what they think will happen or what has happened in the past. One compensation committee decided they would not increase a partner's pay or bonus because they believed it was unlikely that partner would repeat the same success the next year.

iv. how important precedent is in establishing guidelines and limits, so things don't get out of hand and morale is not upset. More than one compensation committee has decided to not pay a significant bonus because of fear that the attorney will expect it in future years when it was not earned. Other committees are often attentive to keeping order within the firm, that they are unwilling to do anything that may result in a conflict or unpredictable reaction.

v. how principles of social responsibility play into a determination as to how much or how little a partner should be compensated. In either of these cases, the idea of being part of a larger body, team, -ism, or firm drives the

members of the committee to support poor producers while requiring that the top producers give some of their comp for the sake of their weaker brethren. This can also manifest itself in a committee concluding that a certain ceiling is appropriate because a higher salary would either be immoral, beyond their wildest imaginations, or not defensible (to their friends, family members, or society).

Compensation committees also can pay too much attention to intrinsic elements (personal, feelings, face-to-face conversations) when setting comp:

i. some of their friends or partners who they know personally (or partners who are married to spouses who are family friends, or partners with children in the same schools or on the same teams as their children, etc.) may have their feelings hurt if they are reduced in compensation while highly profitable attorneys who people really don't like are highly compensated.

ii. they are unwilling to do things to which their colleagues may object because they do not want to have to deal with opposition to the committee's choices in face to face discussions with colleagues. People who are very attentive to intrinsic value do not like to cause others pain or discomfort and are very resistant to doing so in a face to face conversation.

iii. they don't want to have to deliver news that could strain a partner's family. The members of the committee cannot stomach facing a family member of the penalized partner in a social context so they don't make decisions that could possibly lead to such an encounter.

## **Elements That Must Be Addressed**

Compensation is only possible because people are being paid for products and services. Comp is inherently extrinsic. It is money for present-time practical purposes. So an "eat what you kill" characteristic is present and has some place in any compensation considerations.

When the extrinsic nature of comp is not appropriately addressed, the result is a minimizing of this value. This frequently results in firms losing some of their most profitable lawyers. Because they are able to generate high profits and are easily mobile, we often see competent, highly productive lawyers leave their firms to go to contexts where they will make a higher percentage of what they have brought into the firm (or they move to contexts where they won't be carrying the dead weight of unprofitable partners who the firm leaders are unwilling to fire or reduce in points). Many law firms have been seriously maimed when their underpaid top producers have left the firm. In these situations it is common for the leadership to be forced to address the excessive compensation of the poor performers directly because the "surplus" profits that were derived from the former partners no longer exist.

One other note about an extrinsic focus has to do with profitability. Profits are what is left after the work has been performed. One thing that many ignore is the tough work required to develop an accurate measure as to whether a particular job is really producing profits. In the early 90's I did a profitability assessment of a large firm in Dallas. One particular senior partner was responsible for more than \$3.5 million in revenues. After analyzing the costs involved in doing that work, including the disproportionately greater costs from this partner's higher turnover of associates and staff, I concluded that the profits (before compensating the originating partner) from the \$3.5 million in revenue was \$60,000. This partner was responsible for the highest revenues but he was not even in the top ten in profit generation. This analysis stimulated this partner to treat associates and staff better to reduce the turnover that resulted from his behavior, to stop discounting his rates, to resist writing down others' time, and to reject work for clients whose realization rate was below 92%. The next year, his profitability rose to over \$450,000.

B. Compensation has some systemic elements because some law practices are cyclical; having phases extending well beyond one or two years. A firm that has practices with long phases, appropriately overrides annual production evaluations for those practices and smoothes their compensation according to the revenues generated over a period of years. In some types of litigation, the bulk of the revenues come after three or four years of work. In these cases, the firm is investing other partners' profits during those under-compensated years for the greater return upon completion of the trial/settlement.

Compensation is also systemic in firms where the corpus or historic relationships are significant catalysts for securing profitable work. Being part of and paying attention to what is good for the "firm" is appropriate in cases where these systemic elements are really contributing. It is important to evaluate this carefully, because in some cases highly profitable attorneys do not benefit from the firm identity, nor do they benefit from being part of the "team." Top producing attorneys in satellite offices often are accurate in their conclusions that the "firm" really does not add to their business effectiveness what it adds to those in the home office. In these cases the satellite attorneys do not get the benefits of the home office's reputation or the social, emotional or practical support of the partners in the home office. Compensation committee members often make serious oversights when they discount the differences between succeeding out of the home office and succeeding in a branch office.

C. Compensation has some vestiges of intrinsic value because we are talking about individual people, with families, self-esteem, and personal relationships. One of the most difficult aspects of business is the juggling of the extrinsic (practical) activities in a systemic context (order, compliance, history, etc.) with the people doing the business; who are predominantly intrinsic. Whenever we are dealing with people, intrinsic properties are present, so this dimension must be addressed.

## What If the Compensation Committee Members Themselves Have Thinking Biases?

They do. Everyone has thinking biases. No one sees and thinks about things as they truly are. We all skew data in one way or another. No matter what we are doing, our own thinking biases affect how we see things, the meaning we ascribe to things, and how we reach conclusions. When the majority of a committee is comprised of people who think somewhat alike, then groupthink often takes over and the committee makes decisions that are consistent with the biases of the majority. In these cases, the minority viewpoints and perspectives are dismissed or ignored by the majority. Compensation committees ought to be concerned about their makeup (does a supermajority with similar thinking biases exist that could inappropriately bias the conclusions), and about how they interact and make decisions as a committee (are the meetings really not interactive but rather ones of partners talking at one another with no one really listening and integrating differing perspectives)?

If some of the members of the compensation committee are overly attentive to empathy and viewing things intrinsically, the resultant conclusions about compensation will have too much emphasis on intrinsic (personal) elements and the extrinsic elements will likely be inappropriately diminished. This outcome is very common; poor performing attorneys are compensated significantly above what their profitability warrants because intrinsic factors drive the committee. These outcomes put the firm at risk because the practical and political aspects have not been adequately addressed and will likely rear their heads at another time.

If some of the members of the committee are naturally overly reliant on systemic value and inattentive to extrinsic value (which is true for more than 85% of all attorneys), then the extrinsic, practical elements will be reduced in importance (and sometimes exceedingly high producers are actually viewed with suspicion)

while precedent, principles, "firm-mindedness," "one for all and all for one," and "loyalty to the firm" will all be given too much weighting. Committee members who think this way may come up with rationales that support their views like:

- \* "we're all in this together - no one should stand out far above the rest"
- \* "these three lawyers have had a tough go of it for the past four years but they've been loyal to the firm for more than 20 years and it's upon their shoulders that today's young Turks are able to build their practices."
- \* "this attorney hasn't been here long enough to expect that kind of compensation."
- \* "no one should be paid that much money, it's not right."
- \* "we can't give that kind of increase, it will ruin our system."
- \* "there's no way we'd pay an associate more than a senior partner!"

## What If the Firm's Culture Reflects Dimensional Biases?

It does. Every culture reflects and supports biases toward certain properties while minimizing other properties. This is why some firms are "supportive-family cultures" while others are "everyone out for him/herself" cultures.

The nature of your firm's culture is very important when it comes to deciding when and how to role out compensation conclusions. It is also critical to accurately assess whether the greater firm's culture is consistent with the priorities of the top producers in the firm. Are the priorities of those groups consistent with what is best for the firm in light of the market, the firm's position in the market, and all

anticipated changes that come to bear on what will be required for the firm to be successful in the future.

It is very important to make sure that the culture and the structure of the firm are in alignment with what is best for the present and long term health of the firm. This will necessitate that the compensation committee integrate the strategic plans, market variances, and present political dynamics of the firm into their discussions about compensation.

## Reminders

1. The structure of the firm (compensation, governance, what is recognized, etc.) determines what people will do when no one is watching. If the firm pays for production, then people within that system will produce (or lie about their production) when on their own. If the firm does not reward extra production, then people will slow down or stop producing when they've reached their quotas.
2. The biases of how people think will affect how they view the matters that pertain to setting compensation. It is very valuable for committee members to know how and in what ways their own biases and blind spots skew their perceptions and decision-making.
3. Compensation is practical. If the values of the firm are principally intrinsic (personal, family, caring) and systemic (order, systems, precedent, loyalty), the firm may succeed for a while (because the nature of the law and contracts are systemic) but will be very vulnerable to firms that are also focused on the extrinsic, practical things. Attorneys are the first to affirm that the practice of law is more extrinsic: political, practical and subject to timing, while the law itself is systemic: factual, absolute, and constructs. Every trial lawyer knows that the systemic facts are a minor element in cases decided by juries. Regarding compensation, when the practical is not given appropriate weighting, then those who are

effective in practical ways will leave and go to a firm where the practical aspects are valued, which means their success is valued and rewarded and the firm does not require that the effective partners shoulder the burden of consistently unproductive partners.

## Recommendations

### A. Keep the matters clear.

1. Don't argue against a practical consideration with a principle or relationship (for example: "we can't pay you that much more, even if you earned it, because that would be a 45% increase, and we have never given a 45% increase before."). Deal with each facet of the matter in and of itself. Committees often ignore important input when an objection from a different dimension is raised. Have the final decision be one that addresses the appropriate issues, not a conclusion that addresses some aspects while ignoring others. When important points are raised, be sure that the response is, "Let's make sure that our final conclusion has that integrated into it," rather than, "Well that really creates a problem in light of xyz." In other words, "We can't pay you any more because we've never done that before." is axiologically fallacious and will result in avoidable problems.

2. Don't confuse discussions about the best conclusions for the firm with the issue of who will or how those will be implemented. Too often decisions are avoided because those who will have to implement them don't want to do what would be required. Decide on the best and right things to do first, and then figure out the best ways to implement those decisions.

3. When discussing a particular matter be sure that the response to the matter is rich in properties that apply to the matter. When compensation is the issue, be sure that the predominance of the solution is monetary. It is too common for committees to try to substitute things from other dimensions. One example of

this is for firms to ask their highly compensated attorneys to give up some of their compensation so their poor performing partners can be paid more. If this is the best alternative then I would suggest that this practice be done without any coercion being applied to the highly productive attorneys. When successful partners support their partners voluntarily their sense of ownership, good will, and genuine firm mindedness increases. When they are coerced by firm leadership to "voluntarily donate," they will grow resentful of either the lesser productive partners or of firm management's inability to effectively manage the firm.

Because many people don't know how to disagree, don't know that they disagree until later, or don't feel that they can disagree, an apropos platitude for leaders to remember is:

*"Man convinced against his will is  
man of same opinion still."*

so don't assume that a partner agrees with a firm practice just because that partner does not disagree when the issue is brought up.

B. Don't dismiss value that is actually there – have the structure of the compensation be in alignment with the goals of the firm. If you must first define with greater precision what you want the nature of the firm to be, then spend the time and energy to do so. It has been well said:

*"When the goals are clear, the  
choices are easy."*

A way to test if the compensation structure does reinforce and communicate the firm's values and goals is to ask a non-committee member to describe the effects of a particular compensation plan on the firm.

C. How you role out the committee's determinations, both in terms of timing and methods, are at least as important as what was actually decided. In most firms that I've worked with, it has been critical to include all

of the top lawyers and those with political influence (within the firm) in any changes in the philosophy behind and methods of deciding compensation. Lawyers need things to make sense, so it is also critical that the committee communicate to the partners what values and principles directed the committee in its decisions. Arguments can always exist as to how best to determine profitability and compensation. But much of the emotional investment in those arguments is reduced when there is agreement concerning the defining principles that guide the committee as to how it reaches its conclusions.

*"Most attorneys believe that their  
choices flow from principles and  
logical conclusions. Therefore the  
reasons for disagreements rarely lie in  
the conclusions themselves, they  
usually lie in the principles and  
methodologies behind the reaching of  
those conclusions."*

D. The marketplace determines the monetary value of a person's work. If the market values a particular attorney's work as being ten times more valuable than any other practice of law, then that is what that attorney is worth today. While it has become grossly obvious in the professional sports world, it is true for attorneys, too. One attorney's worth that is high this year may not be high next year and it may have never been that way before, but today that lawyer is worth that much money. For firm leadership to ignore or minimize this fact is axiological foolishness.

*Compensation committees must be diligent  
to not dismiss the extrinsic, practical,  
present-time properties of compensation  
and bonuses when they are reaching their  
conclusions. When they do, they make the  
firm vulnerable to losing people who are  
very attentive to and therefore capable  
with extrinsic properties: like making  
money, beating the competition, and being  
valued by practically oriented clients.*

Dr. Robert Smith is Chairman of The Academy of Value Sciences a Dallas based non-profit organization dedicated to the application of behavioral science in talent selection, professional development, team building, executive advisory services, and educational contexts.

He can be reached at

**Clear Direction, Inc.**  
4314 Newton Court  
Dallas, Texas 75219  
(214) 520-0520