PARTNER PAY · A DOMAIN OF THE LEGAL OPERATING SYSTEM

Partner pay, structure & talent

Three conversations the firm treats as separate, which share one subject: shape, model and AI leverage

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This pillar sits inside the Legal Operating System

The remuneration architecture is where the firm's strategy, operations and AI strategy resolve

STRATEGY (APEX)	OPERATIONS	PARTNER PAY	PRICING & M&A	AI & TECHNOLOGY
Where to play and how to win. The partnership decision.	The economic engine. What converts strategy into margin.	The constraint that gates strategy. The architecture the firm reshapes to.	How work is priced; how growth decisions compose with the pay model.	What re-writes leverage. Which forces the shape conversation.

A firm cannot succeed with a strategy its rem model punishes. The pay architecture is a strategic lever.

Three conversations the firm is treating as separate

They are one conversation about shape, model and leverage

PAY

"We are losing people to firms paying more. We need to look at the model." The overt conversation. Rem committee runs numbers; nothing moves; deferral shows up in retention.

PROGRESSION

"Our salaried partners are getting older and the equity ceiling is visible." The less-overt one. Two-tier normalisation (66% of new AU appointments salaried) is now a talent-economics symptom.

AI LEVERAGE

"We have bought the AI tools but have not re-designed what partners (or fee-earners) do with their time." Rarely framed as pay, yet supervision is the scarce resource; the model still rewards billed hours.

Split into three workstreams, the answers never add up. Worked on together, the firm has a chance of landing a rem model, a workforce shape and an AI posture that mean the same thing.

The K-shape pay divergence is now structural

A model appropriate for a top-tier firm will likely create instability at a mid-tier firm

The top of the K

Rainmakers at the top-tier firms are pulling away. The pay structures that work there do not translate down the market.

- Up to four partners at one leading firm were reported in line for A$7m or more (AFR, Dec 2023)
- Two international firms have brought matching numbers
- A third international firm active in APAC rainmaker recruitment
- Spreads at the top widening to 8–9:1 and above
- Discretionary bonus pools getting larger

The bottom of the K

Mid-tier pay flat to down. Importing top-tier structures without top-tier economics breaks mid-tier partnerships.

- Mid-tier PPEP contracting under AI discount pressure
- Re-slicing a shrinking pool makes no one happier
- Stretched spreads without top-tier revenue produce quiet instability
- Two-tier partnership (equity vs salaried) is now 66% of new AU appointments
- Pair rem review with Pricing - symptom cannot be fixed in rem alone

The AU market is adapting, firm by firm

In each case the strategy moved first and the rem model followed

The pattern-setting firm	The pattern-setter. Up to four partners were reported in line for A$7m or more (AFR, Dec 2023). Pure performance-weighted model within a modified-lockstep frame; aggressive recruitment of rainmakers; retention through top-end differentiation.
A second top-tier firm	Shifted to modified lockstep June 2024. Explicit response to lateral losses to the pattern-setting firm and offshore firms; preserved collegiality while adding performance gates.
A third firm	Followed in 2025. Similar move; similar trigger. The second large-firm instance of a modified-lockstep retrofit inside eighteen months.
Further firms	At various stages of formal review. Each with a different variant; all three recognising the model that fit the firm five years ago does not fit the firm now.
International firm entries	Competing for partners and importing US-style pay expectations that redefine what AU firms can offer.

> **The common trigger: each firm's strategic direction had become incompatible with the model it was running.**

Talent Economics: five levels of workforce maturity

The TEM level rarely exceeds the LOMM level - a firm cannot shape its workforce better than its data lets it see

L1 INHERITED PYRAMID	L2 MEASURED SEATS	L3 SHAPED	L4 BLENDED	L5 PORTFOLIO
Last year's shape, repeated. Payroll in aggregate; profit at year end. Where many UK/AU mid-market firms sit.	Same shape, costed. Fully-loaded cost vs realised fees per band per group. 6–9 months, A$150–400k / £75–200k.	Shape designed per practice group against work sold. Competency-based progression; first non-lawyer leverage roles.	Human + AI leverage designed together per matter type. Dual career tracks. 12–24 months - the biggest single move.	Shape shifts year to year as the book shifts. Make/buy/borrow modelled per matter type. A posture renewed annually.

What the 90-minute TEM diagnostic tests

Behavioural anchors per level; lowest-dimension rule holds (not average)

Matter intake and scoping	Partner-led bespoke → matter-type playbook → scoping is a priced step
Rate and fee setting	Partner discretion → pricing cell → priced against realised margin by matter type
Resource allocation and staffing	Partner call → workflow lead → per-group leverage model with role-level P&L
WIP and billing discipline	Monthly chase → weekly review → live dashboard with partner-level accountability
Realisation review cadence	At year-end → quarterly → real-time; realisation drives next-matter staffing
Panel and client management	Reactive → account plans → service rhythm with client-side data blended
Practice-group planning	Budget cascade → PG strategy document → group P&L drives shape decisions
Technology stewardship	IT procurement → governed stack → technology designed into the operating model
Data and reporting	Unread → monthly packs → live dashboards → data drives decisions

The eleven partner-rem models, with Alt-V's fit assessment

Each fits some shapes of firm and breaks under others

Pure Lockstep	Holds under ~30 EP with high cultural cohesion. One UK Magic Circle firm is the primary remaining exemplar.
Modified Lockstep	Mid-market default. Preserves collegiality; adds performance gates. Two Australian moves, June 2024 and 2025.
Hybrid (base + variable)	Alt-V's recommended target for most mid-tier firms. Meaningful performance upside on a locked base. Scales to 150+ EP.
Eat-What-You-Kill	Rare in AU commercial. US regional / rainmaking shops; struggles at scale.
Formula-Based	Requires LOMM Level 3 data floor. Firms running formula without the data end up paying out on narrative.
Subjective / Discretionary	About 39% of AmLaw 50 (BCG Attorney Search, 2025). Drift-prone past 80 partners. A top-tier firm runs a performance-embedded variant without named bonuses.
Points-Based	Transparent; reduces committee discretion. Administrative load climbs with partner count.
Base-Plus-Bonus	Variant of hybrid. Works when the bonus pool is small enough not to dominate the base.
Profit-Sharing / Unit-Based	Partnership structure variant; often paired with modified lockstep for taxation reasons.
Tiered (Equity / Non-Equity)	The two-tier normalisation. 66% of new AU appointments salaried; now a structural pattern.
ORA (Originator / Responsible / Working Attorney)	US-origin; insufficient AU/UK precedent at scale. Rarely carried into Phase 2 shortlists here.

Ten metrics across five dimensions

The overall result is your weakest dimension, not your average

ARCHITECTURE	PROGRESSION	RETENTION	ENGINE	CONFIDENCE
Spread (top-to-bottom equity multiple) · model age in years. Tests structure.	Non-equity % of partnership · typical tenure at level before equity. Tests the pipeline.	Annual attrition · origination concentration in top partners. Tests key-person risk.	Revenue per partner · profit per equity partner. Currently unscored in this build - tier benchmarks pending.	Partner satisfaction with the model · cross-border complexity. Tests resilience.

A cross-check runs between the firm's current rem model and its Talent Economics level. If the current model asks the data a question the data cannot yet answer, the first move is measurement: not model redesign.

Eight weighted criteria × six candidate models

The methodological spine of the Phase 2 Model Design step

Cultural fit (20%)	The weight is deliberate. A model that scores highest on performance incentivisation but fails cultural fit at Phase 2 is routinely removed at Phase 3.
Performance incentivisation (20%)	Equal weight to culture. Alt-V's position is that these two are the live tension; the Decision Framework forces the trade-off to be explicit.
Collaboration (15%)	How the model treats cross-practice work and non-attributable contribution. The eat-what-you-kill filter.
Size and scale (10%)	At what partner count does the model break down. Pure lockstep breaks at ~30; discretionary drifts past 80.
Administrative feasibility (10%)	Can the rem committee actually run it. Points-based systems routinely fail this test.
Governance (10%)	The authority structure and the discretion the model requires. Weaker at merged partnerships; the governance capacity has not yet consolidated.
Strategic alignment (10%)	The pairing with the firm's strategy. Growth-trajectory firms score Hybrid higher than static firms.
Transition feasibility (5%)	Lowest weight by design. A model that scores higher on strategy but harder to transition still wins; transition is managed with hold-harmless provisions.

Eight to twelve weeks, six phases

Phases three and four deliberately overlap

Weeks 1–2 · DIAGNOSIS	Health Check (about 10 min; MP + CFO + Head of People) + anonymous partner survey (10 Likert items) + benchmarking. Deliverable: findings pack to MP.
Weeks 2–5 · MODEL DESIGN	Decision Framework matrix + Decision Tree gates G1–G6 + partner-by-partner win/loss modelling + governance design + transition provisions drafted.
Weeks 4–7 · CONSULTATION	Options paper issued; minimum two structured feedback sessions; individual consultations with materially affected partners.
Weeks 6–9 · APPROVAL & COMMS	Partnership vote; FAQ; town hall; communications per standard templates (announcement memo, town-hall talking points, FAQ).
Weeks 8–12 · IMPLEMENTATION	Systems config; rem committee stood up; first distribution under new model; hold-harmless activated (capped 2–3 years, tapered not cliff-end).
Months 6 and 12 · YEAR-1 REVIEW	6-month pulse against the KPI scorecard; 12-month formal review. Escalation thresholds: equity attrition over target, satisfaction <3.0/5 on any KPI, PPEP variance ±15% YoY.

The Health Check result for Kellhorn Caldecott LLP

Invented firm · 110 EP · 20 months post-close · two unresolved legacy rem models

What the firm entered

Spread 9.2:1 · model age 5 yrs · non-equity 70% · tenure at level 3.5 yrs

- Attrition 9% p.a. · origination concentration 48%
- Partner satisfaction 68% · single-jurisdiction UK
- Current nominal model: Modified Lockstep (legacy A), inherited for the blended firm
- TEM level 2 selected (Measured Seats - tipping down from legacy A's 2.5)

What the Health Check says

Overall AMBER, gated by Model architecture & currency. Progression, Retention and Confidence also Amber; Engine unscored.

- Headline: equity spread above 8.5:1 (top of market range) as first priority action
- TEM-fit cross-check: current model (Modified Lockstep) is adequate at TEM 2; modest contribution weighting defensible at management-partner level
- Next step named: a formal remuneration review engagement
- Scope and investment set with the firm - unpriced CTA by design

Three places Partner Pay never travels alone

Each pairing is a trigger that routes the engagement upstream before the rem review runs

PRICING: K-SHAPE FIRMS

A firm whose issue is K-shape downward drift (PPEP contracting, AI discount pressure, pool shrinking) cannot fix pay alone. Re-slicing a shrinking pool makes no one happier. Pair upstream with the Pricing engagement.

OPERATIONS: TEM < LOMM

The TEM level rarely exceeds the LOMM level. A firm whose data posture is Functional cannot operate a Shaped workforce model. Pair with the Operations diagnostic; land the LOMM move first.

M&A: POST-MERGER

A post-merger partnership that has deferred the two-rem-models question for 12+ months has usually already failed Phase 1 of the integration. The Decision Framework is the honest fix.

Three triggers Partner Pay work opens on

Each trigger brings a partnership decision into focus

DEFERRED REVIEW

The partners have had the conversation; the Rem Committee has run numbers; nothing has moved; the deferral is now showing up in retention. The Health Check restarts the conversation with a specific gating dimension named.

POST-MERGER UNRESOLVED

The Day-90 deferral has become a Day-540 deferral. Two legacy rem models still running in parallel. The Decision Framework is the usual next move - the sample pack carries this scenario.

AI WITHOUT WORKFORCE PLAN

The pay structure still rewards billed hours; the AI deployment has made supervision the scarce resource; partners are adjusting their behaviour in ways the model does not reward. Placing the firm on the Talent Economics model usually comes before the rem review here.

What is the next partner-pay decision your partnership has quietly deferred?

If you had six honest weeks and the right diagnostic in front of you, what would change?

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