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Is Origination Credit Damaging Rather Than Helping Your Law Firm?

The Trouble with Origination Credit

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A prominent partner at a large east coast firm recently said the following:

- "I hate to admit this, but who I take to a pitch meeting is frequently impacted by our origination credit system and how much credit I will have to share."
- "Our credit system sometimes influences my decision as to who will work on my client projects."
- "I sometimes have to bribe lawyers with the promise of sharing credit just to get them to work on a client project."

Unfortunately, these are not rare or isolated comments. For many firms the tracking of origination credit has a detrimental effect on the quality of their work, client satisfaction, lawyer morale, teamwork and ultimately, profits. That's because in their effort to track and reward business generation they inadvertently encourage internal competition and hoarding and discourage teamwork. Worst of all, their systems can discourage working in ways that are most effective for clients.

Even General Counsel increasingly find themselves asking law firms about their credit sharing systems, how they work, whether they impact the staffing of matters by the most qualified lawyers, and whether they are fair to everyone in the firm. Sadly, more and more general counsel are convinced that some credit systems work against their long-term interests.

No matter what term a firm uses – origination credit, generation, initiating, billing, perpetuating, proliferating – many firms try to determine who generates and/or maintains a client relationship and then quantify that in some form.

If generating and maintaining clients is critical for law firms, what's wrong with tracking and measuring it? Perhaps one way of answering this question is by considering an often-cited business maxim: **"What gets measured gets done."** But in law firms the saying might be more appropriately restated as: **"What gets measured gets manipulated."** And that was never more true than when applied to origination credit. Unlike billable hours or collections, origination data isn't objective. It's a subjective allocation of numbers according to a firm's rules, or worse, someone's judgment, power or whim. And it is that combination of a subjectively determined credit and resulting higher pay that creates problems for some firms.

Fixing origination credit system problems is a complex topic, and there is no one solution that works well in all firms. Why? Because each firm has its own unique history, leadership, culture and underlying compensation system, all of which impact the solutions that will, or will not, work in that environment. But there are certain, fundamental concepts that every leader who is struggling with a credit system should understand about the topic:

1. **Does tracking the origination of clients generate more business for a firm?**
    - Most evidence suggests that it does. It may not be great client work, it may not be paying work, or it may be work that doesn't fit the firm's expertise, but it does generate *more* work.
    - Perhaps the better question is, does tracking the origination of clients generate more profit for the firm? The evidence shows that incenting everyone to bring in more work doesn't automatically produce higher profits.
    - Why is it that firms that don't track origination in any way tend to be among the most successful and profitable firms in the profession? Why do these same firms have minimal problems associated with hoarding, teamwork, or appropriate staffing of client projects?
2. **Are you clear about what you are measuring and rewarding?**
    - Too often in their efforts to placate everyone, some leaders are intentionally vague about what it is their data is supposed to be measuring, or how it gets rewarded. That ambiguity is further compounded because partners then capitalize on the lack of clarity and each promotes and implements their own definitions (often based on their capabilities and financial interests).
    - Some firms intentionally have no rules about defining, measuring or sharing origination credit. This usually just means they have as many systems as they have partners, and any data they generate has no integrity or consistent meaning.
3. **Is abandoning all forms of origination tracking an option?**
    - While firms that never had any form of origination tracking system tend to be dramatically more successful, very few firms have successfully abandoned their origination tracking system. Origination credit is one of those doorways that, once you pass through, there is almost no turning back.
    - The problem is that firms and partners who are accustomed to having the data, to being able to point out how much business they have, are reluctant to get rid of something that is known and reassuring for something that is vague and undefined.
    - The reality is that for most firms that have attempted to get rid of this credit, they end up substituting some other, existing data category as a replacement for their old credit.
4. **Simple, hard rules tend to produce happier, more successful law firms.**
    - Some firms have extensive rules running thirty pages or more citing precedents, hypothetical examples and laying out detailed guidelines. In organizations composed of people who bend and interpret rules for a living, this generally produces results like the firms that have no rules.

- In firms where the credit for a single client matter can be shared by more than four to five people, it typically means that partners lack trust or confidence, either in their system and/or in those who are setting compensation and are trying to find every means possible to influence their compensation.

5. **Today versus history**:
    - Most successful firms are more interested in answering the question, "who is responsible for keeping a client matter here today?", rather than "who generated this client five years ago?"
6. **Allocating origination by matter rather than by client tends to be more accurate.**
    - If you listen to clients, they rarely have loyalty to any single partner for *all* matters. In fact, when asked "what would you do with your work if this firm were to suddenly disappear?" most clients quickly and easily go through a description of how various matters would follow various partners or teams of partners.
7. **Does your firm have a credit system problem but you aren't admitting it?**
    - Is credit a frequent topic among partners in your firm?
    - Do associates and partners repeatedly ask for a new/better explanation of your credit system?
    - Do senior associates and young partners ask for education about how to manage the politics of credit in your firm?
    - Could the three quotes at the beginning of this article come from the partners in your firm?

There is nothing wrong with rewarding those who develop and bond clients to a law firm. Indeed, without doing so most firms won't survive. And there is nothing wrong with measuring those skills. The challenge for law firms is that in their attempt to measure it, client interests, firm profits and effective teamwork sometimes take a backseat to the pressures a partner feels in trying to prove his/her worth to the firm.

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