



The Amazing Race (Excerpt)

Attorneys Cited

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Internal Competition May Drive Achievement, But It Can Also Sink Morale. Where Should Firms Draw the Line?

Professionals: [Howard J. Berlin](#), Jill Schachener Chanen

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Miami lawyer Howard Berlin says that his firm, Kluger, Peretz, Kaplan & Berlin, has made the change. About six years ago, it moved toward the good corporate citizen model of compensation and, in the process, changed the firm culture.

Berlin says the now-17-year-old firm was both highly competitive and entrepreneurial when it first opened its doors. But as the firm grew past 25 lawyers, it became clear that what worked in a smaller firm was not going to work in a larger one. The firm began focusing more on efforts to institutionalize clients rather than individual business development efforts. That shift also fostered a change in the firm's culture such that high-quality legal work, mentoring and community service were valued above business origination.

The shift created a much more family-like culture, Berlin says, where emphasis is placed on collegiality and esprit de corps. As proof, Berlin points to the firm's low turnover rate: No one

has voluntarily departed from the firm in years, he claims, and they are all making good money.

Berlin says he believes that the focus on compensation is in some ways a red herring in the overall analysis of internal competition in law firms. "The broader issue is motivation. Internal competition is just one aspect of motivation, [but] there are lots of ways to motivate lawyers," he says. "The question is: How do we channel that energy so it is positively focused in the office?"

For Berlin, the answer to that question came through creating a strategic compensation plan for the firm, which set forth the values that lawyers will be rewarded for practicing.

Now, lawyers at Kluger Peretz are compensated based on how well their year-end accomplishments meet the firm's strategic plan, which includes contributing to the community, teamwork and mentoring.

The goal, Berlin explains, isn't to eradicate competition. Rather, the plan allows lawyers to be rewarded—and therefore motivated—by competition that's external, rather than internal. "We try to look at the whole lawyer and not just their origination numbers," he says.

Compensating lawyers according to this plan means it's not uncommon for a lawyer with more business origination and few other contributions to the firm's strategic plan to receive less in compensation than a lawyer with little or no new business but significantly more billable hours and community involvement, Berlin says. But it's a necessary result, he says: "Your

compensation plan has to track your strategic plan because if it does not it becomes, by default, your strategic plan.”

One reason this system works in spite of such situations, he says, is because the firm keeps its compensation system closed. “Partner compensation is private. Other partners do not know what the others are making. They are under the threat of getting fired for disclosing it,” he explains.

To read the article in it entirety, please reference The ABA Journal, Law Practice, August 2005. www.abanet.org

The Miami Center
201 South Biscayne Blvd
Seventeenth Floor
Miami, Florida 33131
(305) 379-9000

Peninsula Executive Center
2385 N.W. Executive Center Dr.,
Suite 300
Boca Raton, Florida 33431
(561) 443-0800