

Selecting the Compensation Committee

The Power of Balancing Personalities

Big job – better get it right – lots at risk if you get it wrong – you bet. Having the right people on the compensation committee is critical.

The compensation committee in most law firms we know is typically made up of some of the most respected lawyers in the firm. They have earned credibility through their own practice, skill and reputation. They carry a lot of weight and they have a huge responsibility. They evaluate their peers which is one of the most difficult roles in the firm.

If they get it wrong and wrong decisions result in the departure of one or more of the firm's key partners, the result can be devastating.



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Compensation is said to be the very fabric of the partnership. It tells you what's important – what the firm values gets rewarded. The mechanics also tell you a lot about a firm; is it an open or closed system, how often is partner compensation re-evaluated, is there a bonus pool, is there a balance of subjective and objective criteria – we could go on and on.

No matter what the mechanics of your compensation system are, the most critical issue is a perception that the process is both thorough and fair. To be perceived as fair, a balanced approach is critical. To have a balanced fair approach from a group of your peers the composition of the committee is important.

A committee can be composed of male partners and female partners in order to address issues of gender bias. It can be composed of young partners and older partners in order to address age bias. A committee composed of a balance of personality types will take it to another level. Let me explain using the Myers Briggs Type Indicator (MBTI) ®.

The MBTI is based on Carl G. Jung's theory of psychological type that explains normal differences between healthy people. It was developed by Katharine Cook Briggs (1875-1968) and her daughter Isabel Briggs Myers (1897-1980). The MBTI helps to identify valuable differences between normal healthy people which can be the source of misunderstandings and miscommunication. Understanding these differences by providing a common language can increase understanding, improve communication and in this instance, improve the perception of fairness and balance.

In the discussion that follows it is important to remember that:

- “Extravert” does not mean “loud” or “outgoing”,
- “Introvert” does not mean “shy” or “inhibited”

- “Feeling” does not mean “emotional”,
- “Judging” does not mean “judgmental”, and
- “Perceiving” does not mean “perceptive”.

Even if you have never taken the MBTI you will recognize yourself or your colleagues as you read on.

Energy	
Extraversion	Introversion
<ul style="list-style-type: none"> • attuned to the external world • prefer to communicate by talking • learn by doing and discussing • sociable and expressive • talk it through 	<ul style="list-style-type: none"> • drawn to their inner world • prefer to communicate in writing • reflective learner • private and contained • think it through

Orientation of Energy: Introversion vs. Extraversion

MBTI measures our orientation of energy – where we get our energy. This is known as the E-I Dichotomy. If you prefer Introversion, you draw energy from the inside. You prefer to communicate in writing. You prefer to take the time to reflect on the issues and work out your ideas in your head. You think through the issues. If you prefer Extraversion you draw energy from the external environment. You prefer to communicate by talking. You work best by doing and discussing, in short you talk through the issues. Now think about your compensation committee.

A balance of Introverts and Extroverts will enable the committee to both think through and talk through the critical issues. The introverts will give careful, thoughtful, reflective consideration while the extroverts will be sure that the group has put the issues on the table – they will pull the thoughts out of the others on the committee until they are satisfied. Designing the format for the compensation committee’s deliberations requires sensitivity to the energy needs of the participants. Four days of straight meetings is tiring for anyone but it will literally suck the life out of the introverts on the committee. They need breathing space. They need reflective time and they need some alone time to be effective.

In evaluating your peers this balance of introverts and extroverts helps to bring understanding to the differences within the partnership. Introverts within the partnership who are private and contained, even shy, can be perceived as aloof and arrogant. Extroverts amongst your partners who need to talk through their ideas can be perceived as lacking confidence because they are always bouncing stuff off people around them.

Perceiving: How We Take In Information

According to Myers Briggs, the first mental process deals with how we take in

information. This is referred to as the S-N Dichotomy. Sensing people like facts and data. They are here and now people – focused on the present. They deal best with things they can observe first hand. People that prefer Intuition like ideas and patterns. They are future oriented and conceptual. They are big picture people who, in preference, struggle with the details. They trust their hunches whereas Sensing people trust their experience.

On the compensation committee, Sensing people like buckets of information. They are most comfortable with what is happening now – time, WIP, AR, generations, collections – the hard facts. They trust the tangible.

Intuitive committee members are more comfortable with prospective compensation – pay for what is going to happen in the future. They trust the relationships between the facts, so if a business plan makes sense they may trust their gut and live with the consequences. Sensing people may take longer to come to a decision because they want as much information as possible. Intuitive committee members can see the possibilities and may rush to a decision if it feels right.

In evaluating their peers, the tension between Sensing and Intuition is focused on today's facts vs. tomorrow's possibilities. An Intuitive committee member may want to reward a good idea that has possibilities, whereas a Sensing committee member may struggle with prospective reward of an idea that has not yet been proven. An Intuitive Extrovert may be viewed by a Sensing Introvert as "all talk, no action". A Sensing Introvert may be viewed by an Intuitive Introvert as being devoid of ideas that will move "this firm into the future". A Sensing Extrovert wants information, lots of it and asks lots of questions. An Intuitive Introvert needs to think through the ideas and validate them through reflection.

Judging: How We Come To Conclusion / How We Make Decisions

The T-F Dichotomy is about how we make decisions.

People who naturally prefer to use Thinking in decision-making rely on their analytical skills. They look at the cause and effect and use logical objective criteria to come to a decision about what is fair, right and just. Law is a thinking profession. Thinkers are energized by the critical processes and they quickly spot the errors – sound familiar?

People who prefer to use Feeling in decision-making quickly put themselves in the shoes of the partner they are evaluating. They consider the importance of the decision on themselves and the others who might be involved. Feeling people make decisions based on their values and come to a decision about what is fair, compassionate and harmonious. Feeling people often feel like they are swimming upstream in the law. They are perceived as too soft. On the compensation committee they can be the empathetic voice of support – the one who values future potential.

The tension between Thinkers and Feelers on the compensation committee varies based on the culture of the firm. The Thinkers will make decisions based on logic. Cause and effect will lead them to a decision where they may compensate a particular partner more than someone else, simply because the impact of that individual's

departure is more important than whether or not said 900 pound gorilla exhibits the values the firm espouses.

The cold hard facts are that we can't afford to lose him...at least not now. The objective decision trumps the valuesbased decision. The Feelers (and their likely won't be many of them) will be more inclined to give a partner another chance. They will be more empathetic to the fact that he has a troubled teenager, the dog died and he had the flu three times in the past twelve months, all of which impacted his numbers. Feelers will be more inclined to bend the rules to keep a group together. In our experience, both Thinkers and Feelers struggle with the tough decisions but while Feelers want more time, Thinkers want more information to get to a tough decision. Feelers will be compassionate while Thinkers will be reasonable – both strategies for procrastinating on the tough decisions.

The Basic Mental Process			
Perceiving		Judging	
(Taking in Information)		(Organizing Information & Coming to Conclusion - Making Decisions)	
Sensing	Intuition	Thinking	Feeling
<ul style="list-style-type: none"> • Facts • Data • Present • Observable • Trust • Experience • Build a Careful Case 	<ul style="list-style-type: none"> • Ideas • Patterns • Future • Conceptual • Trust • Inspiration • Trust Hunches 	<ul style="list-style-type: none"> • Analytical • Cause/Effect • Logical • Objective • Tough but Fair 	<ul style="list-style-type: none"> • Empathetic • Values Based • Assess Impact • Harmony • Tender but Fair

How We Deal With The World Around Us: The J-P Dichotomy

When Katharine Briggs and Isabel Myers created MBTI they went beyond Carl Jung's work and added a fourth dichotomy which explores which of the mental processes [perceiving (taking in information) or judging (making decisions)] we preferred to use in the outer world. I often refer to this as how we organize ourselves against the world.

Committee members who prefer to use their Judging process as their interface with the outside world, are very planned, organized and orderly. They like meetings to be scheduled, they show up on time and they like closure – "let's just make a decision and move on". Judging people will get through the compensation review process if it is scheduled and organized; if there is a methodology that is consistently used and predictable. They like to make decisions and move on. They love to do lists and sometimes actually write a list of things that are already done just so they have the

pleasure of checking them off.

Those who prefer to use their Perceiving function as their interface with the outside world are flexible, spontaneous and are always open to shift and change with the environment. They are open to new information and hesitate to make final decisions about any of their partners. They will find final decisions about their colleagues restricting and confining – they will want to keep the process open as long as possible. These committee members are flexible and adapt more easily to a change in course. This group kicks into action as the process draws to a close because the last minute pressure gives them energy.

As compensation committee members the tension here is between those who want to make decisions and those who want to keep an open mind. A tension will exist between those who will take comfort in a systematic methodical approach and those who are more comfortable with an open ended process that can adapt and change as new information is presented. Too many Judgers on the committee may force a conclusion simply so they can move on. Too many Perceivers on the committee may extend deliberations. Taking it a step further, an ST (Sensing Thinking) committee member may be drawn to the facts, the here and now and rush to a decision. An NF (Intuitive Feeling) committee member (and there won't be many in most law firms) will be drawn to the ideas presented in a business plan, be empathetic to the effort required to execute such a plan and may wish to reward a partner because it feels right.

Interface with the World	
Judging	Perceiving
<ul style="list-style-type: none"> • Scheduled • Organized • Systematic • Methodical • Like to get things decided • Avoid last-minute pressure 	<ul style="list-style-type: none"> • Spontaneous • Flexible • Casual • Open-ended • Like to keep things open • Energized by last minute pressure

Myers Briggs can be complicated. It can be a bit like alphabet soup: ENTJ, ISTP, ENFP, ISFJ and so on – sixteen types in all. The truth is we all have different gifts and we have access to all mental processes, energy sources and orientations, we simply prefer one over the other. There is no right or wrong TYPE – no good or bad TYPE. We can all pick up a pen and sign our name with our non-preference hand, it just isn't as comfortable. There are some combinations that are naturally attracted to law and legal training teaches you to develop some facets of your personality that may not be your natural preference. MBTI is easily done and relatively inexpensive.

To formally test prospective compensation committee members is not likely in most firms. Do, however, consider personalities carefully so that the committee is balanced in terms of style and approach. "Big job – better get it right – lots at risk if you get it wrong."



Having the right people on the compensation committee may help your firm to get it right.

Source: Introduction to Type, Isabel Briggs Myers, 6th Edition, 1998 Consulting Psychologists Press, Inc., Palo Alto, California

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