RÊVE CFO ADVISORS

ATTORNEY INCENTIVE COMPENSATION

A DIAGNOSTIC FRAMEWORK FOR LAW FIRMS

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Why Attorney Incentive Compensation So Often Misses the Mark

Most small law firms implement attorney incentive compensation with the best intentions—**to reward performance, encourage growth, and share success**. Yet many plans quietly undermine those goals.

When incentives are misaligned, attorneys optimize for individual metrics instead of firm profitability, short-term production is rewarded at the expense of delegation and leverage, and partners grow frustrated that they are "paying more" without seeing sustainable financial improvement. Over time, these dynamics **erode margins, strain culture, and complicate long-term ownership and succession planning**.

The issue is not motivation. Compensation systems are powerful behavioral engines, and even small design flaws can drive unintended outcomes.

This Attorney Incentive Compensation Diagnostic Framework helps firm leaders evaluate whether their current approach truly supports:

- Profitable growth—not just higher billables
- Healthy delegation and leverage
- A culture of shared ownership and accountability
- Clear paths to future equity and leadership

Rather than prescribing a one-size-fits-all solution, this diagnostic **highlights where incentives may be working against your financial and strategic objectives**—and where **targeted adjustments can restore alignment**.

1 Strategic Intent

WHAT PROBLEM IS THE INCENTIVE PLAN MEANT TO SOLVE?

◻ Growth (revenue, collections, leverage)
◻ Profitability (margin, realization, efficiency)
◻ Behavior change (origination, delegation, collaboration)
◻ Retention / succession
◻ Fairness / transparency
◻ Other: ________________________

KEY DIAGNOSTIC QUESTION:

If this plan works perfectly, what changes in attorney behavior or firm outcomes?

2 Firm Economics Reality Check

WHAT CAN THE FIRM ACTUALLY AFFORD TO INCENTIVIZE?

Revenue predictability:
◻ High ◻ Moderate ◻ Low

Margin visibility by attorney or practice:
◻ Clear ◻ Partial ◻ Limited

Cash flow timing vs. accruals:
◻ Aligned ◻ Misaligned

Existing variability in compensation:
◻ Low ◻ Moderate ◻ High

KEY DIAGNOSTIC QUESTION:

Which metrics truly drive profit—not just revenue—today?

3 Attorney Roles & Leverage

WHO IS THIS PLAN REALLY FOR?

Attorney mix:

- ◻ Equity partners
- ◻ Non-equity partners
- ◻ Senior associates
- ◻ Junior associates

Role clarity:

Originators vs. service attorneys
Billers vs. delegators
Managers vs. individual producers

KEY DIAGNOSTIC QUESTION:

Are we trying to incentivize the same behavior across different roles—or should incentives differ by role?

4 Cultural & Governance Constraints

WHAT MUST THIS PLAN RESPECT TO SUCCEED?

- ☐ Partner autonomy
- ☐ Historical compensation expectations
- ☐ Transparency tolerance
- ☐ Risk appetite
- ☐ Decision-making authority
- ☐ Prior “failed” compensation attempts

KEY DIAGNOSTIC QUESTION:

What has already been tried—and why didn’t it stick?

5 Measurement & Administration

CAN THE PLAN BE UNDERSTOOD, TRACKED, AND TRUSTED?

Metrics availability:
□ Real-time □ Lagged □ Manual

Administrative burden:
□ Low □ Moderate □ High

Ease of explanation to attorneys:
□ Simple □ Moderate □ Complex

KEY DIAGNOSTIC QUESTION:

Could an attorney reasonably predict their incentive before the year ends?

6 Readiness & Change Management

IS THE FIRM READY TO IMPLEMENT—NOT JUST DESIGN?

□ Leadership alignment
□ Willingness to communicate tradeoffs
□ Appetite for phased rollout
□ Commitment to revisit and refine

KEY DIAGNOSTIC QUESTION:

How much change can the firm absorb in the next 12 months?

Use This Diagnostic as a Starting Point—not a Finish Line

This framework is most valuable when it sparks **honest internal discussion** about what your firm is truly rewarding—and whether those rewards align with your financial and strategic priorities.

If, as you work through the diagnostic, you find yourself answering “sometimes,” “it depends,” or “we’ve never really looked at it that way,” you’re not alone. Most small law firms inherit compensation structures that evolved over time, rather than being intentionally designed.

That’s where a fractional CFO perspective can help.

How I Support Firms Beyond the Diagnostic

As a fractional CFO for small law firms, I help partners:

- Translate incentive goals into financially sound compensation models
- Evaluate the profitability impact of current and proposed incentives
- Align attorney pay with leverage, delegation, and ownership pathways
- Stress-test compensation decisions against long-term firm sustainability

Next Step

If you'd like help interpreting your diagnostic results—or want to explore whether your incentive structure is supporting or constraining firm profitability—I invite you to schedule a confidential conversation.

→ Schedule a Compensation Alignment Review

https://scheduler.zoom.us/sarah-justin/business-owner-exploration-call

There's no obligation. The goal is simply to bring **clarity** to **one of the most important—and consequential—systems in your firm**.

About Rêve CFO Advisors

Meet your **strategic financial partner**

Sarah Justin is a CPA and fractional CFO with more than 20 years of financial leadership experience. She focuses exclusively on **helping law firm owners build financially strong, sustainable practices** that support their long-term professional and personal goals.

Her career began in Risk Advisory and Auditing roles at **KPMG** and **PwC**, followed by senior financial leadership positions at national commercial real estate development and consulting firms. Through these roles, Sarah developed deep expertise in **financial strategy, forecasting, and operational performance**.

A pivotal chapter of her career was her experience as a business owner. For six years, Sarah owned and operated an education franchise, where she **ranked among the top 25 franchise owners in North America**, successfully scaled the business, and exited at her target valuation. She also served on the franchisor's North America steering committee, advising fellow owners on improving profitability and cash flow.

That firsthand ownership experience shapes how Sarah supports law firm owners today. Through Rêve CFO Advisors, she partners with firms as a fractional CFO, providing **clarity, structure, and decision-ready financial insight**—so owners can lead with confidence and build firms that support both their practice and their life.