

Rewarding leadership:
Chief and Director salary
and bonus report

June 2021



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Throughout all the disruption of the past year, one constant at Totum was the continued recruitment of the most senior roles across business services functions – i.e. at Director and Chief level.

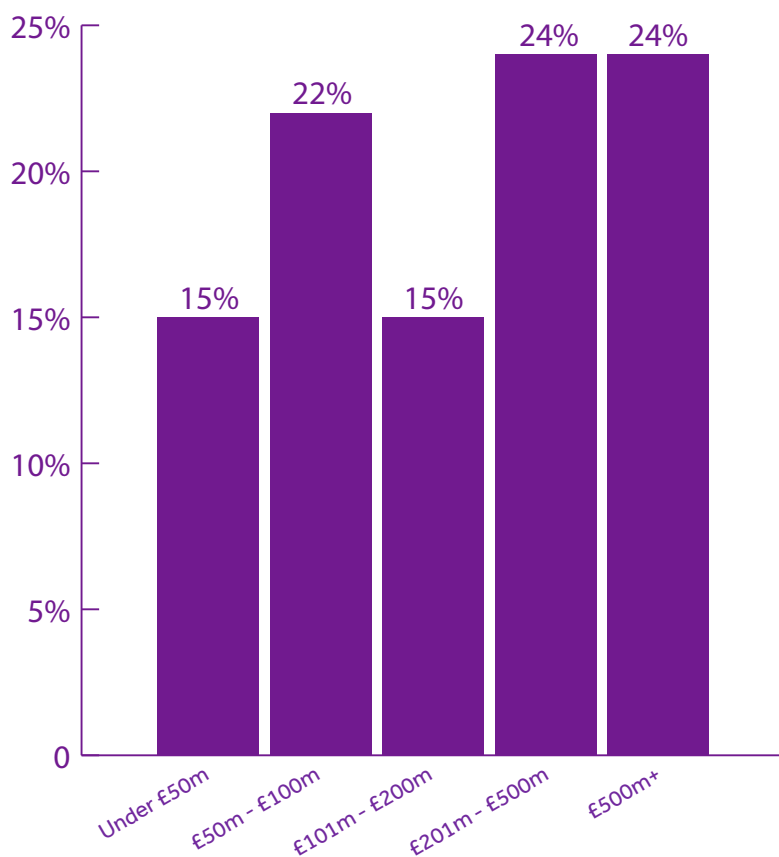
As we worked on more of these placements in 2020-21 than in the previous year – showing just how much law firms value these business-critical roles – we thought it would be timely to present a report on salaries and bonuses awarded at this level.

By so doing, we hope to give firms a useful insight into compensation practices that might help steer future decision making.

Through April and May, we conducted an in-depth survey of UK, US-headquartered and global law firms, asking their decision makers an extensive range of questions on their compensation packages awarded to Chiefs and Directors across business services functions. A total of 54 firms responded, representing a good spread of firms across revenue brackets (see figure one).

Figure one

Law firm respondents by total global revenue



Questions covered a wide range of issues, including types of compensation packages, basic salary levels and average and exceptional bonuses awarded.

The findings show a legal sector emerging from the pandemic with the confidence in performance to continue to reward these business leaders generously.

How firms approach leadership compensation

The first striking result from the survey is that a quarter (25%) of respondent firms now have business services Directors / Chiefs who are equity partners (with a further 4% thinking about it).

These equity partners feature predominantly in finance and risk functions, followed by the CEO and COO (the slightly lower figures here reflecting the fact that not all firms have these Chief roles) – but all functions are represented to some degree (see figures two and three).

As many as 43% of firms in a revenue bracket of under £100m have equity partners (compared to just 8% in the £200m-£500m bracket), with a further 13% of these smaller firms considering making Chiefs and Directors equity partners in future. This is likely down to the fact that more of these businesses are set up as alternative business structures (ABSs), giving them the freedom to award equity partnership to business leaders who are not lawyers.



43%
of firms in a revenue bracket of
under £100m
have equity partners



Figure two

Are any of your business services Directors / Chiefs Equity Partners?

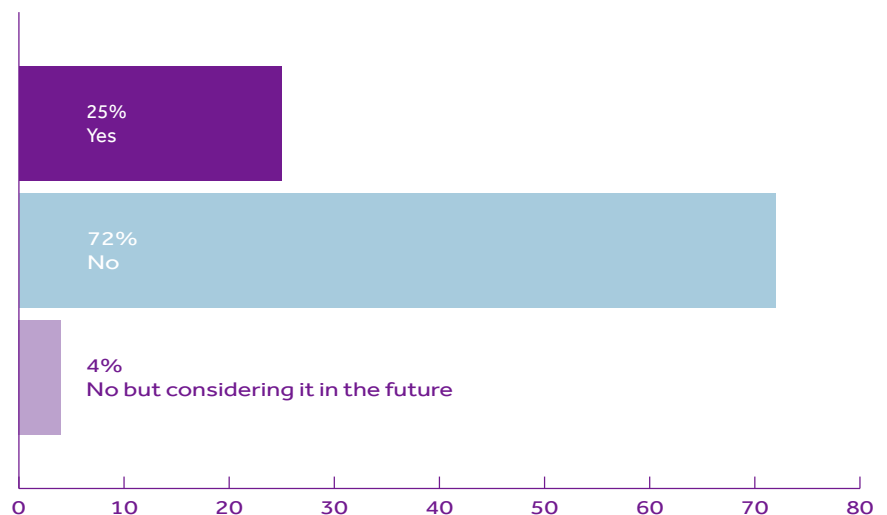


Figure three

If you have Directors / Chiefs who are Equity Partners, in which function do they sit?

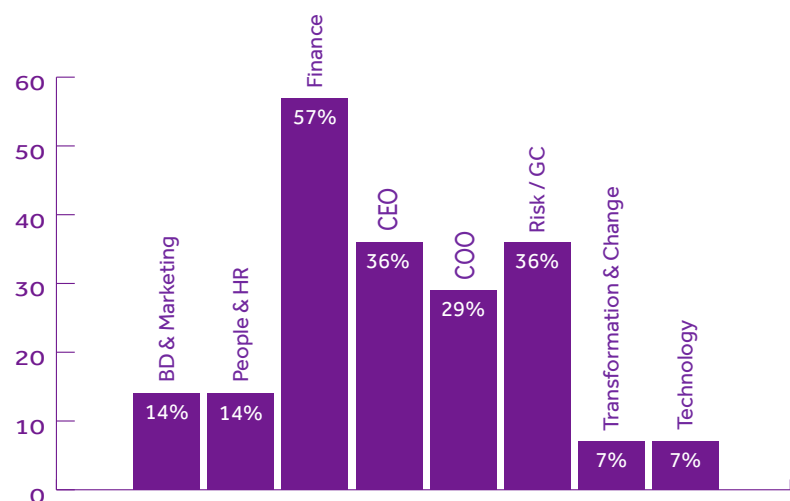
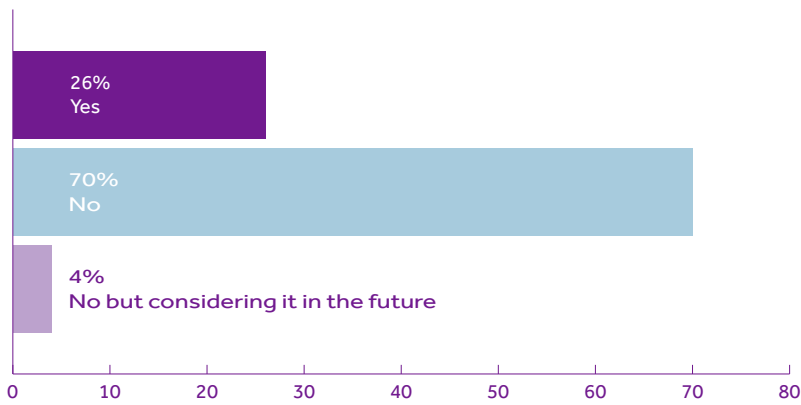


Figure four

Are any of your business services Directors / Chiefs Fixed Share Partners?



In addition to equity partners, a similar proportion of firms now have fixed share partners (26% overall), with 4% considering it in the future. Here, fixed share partners feature particularly highly in risk and compliance functions – which makes sense given the high numbers of lawyers who often take these roles (see figures four and five).

Overall, however, the vast majority of firms take the same general approach to compensating their Chiefs and Directors:



69%

pay a basic salary and bonus (see figure six).

This finding was also common to the majority of firms across revenue brackets.

Figure five

If you have Chiefs and Directors who are Fixed Share Partners, in what function do they sit?

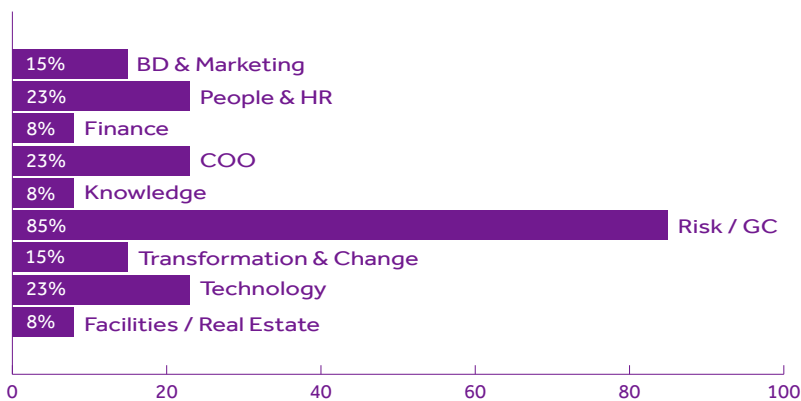
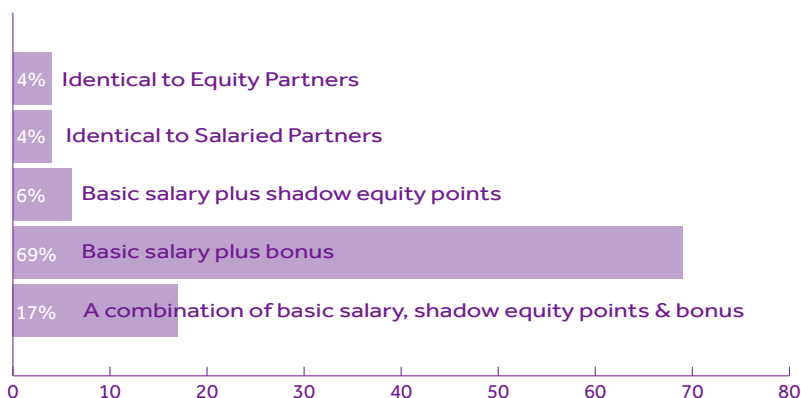


Figure six

What general approach does your firm take to compensation of business services Directors / Chiefs?



Average salary and bonus levels

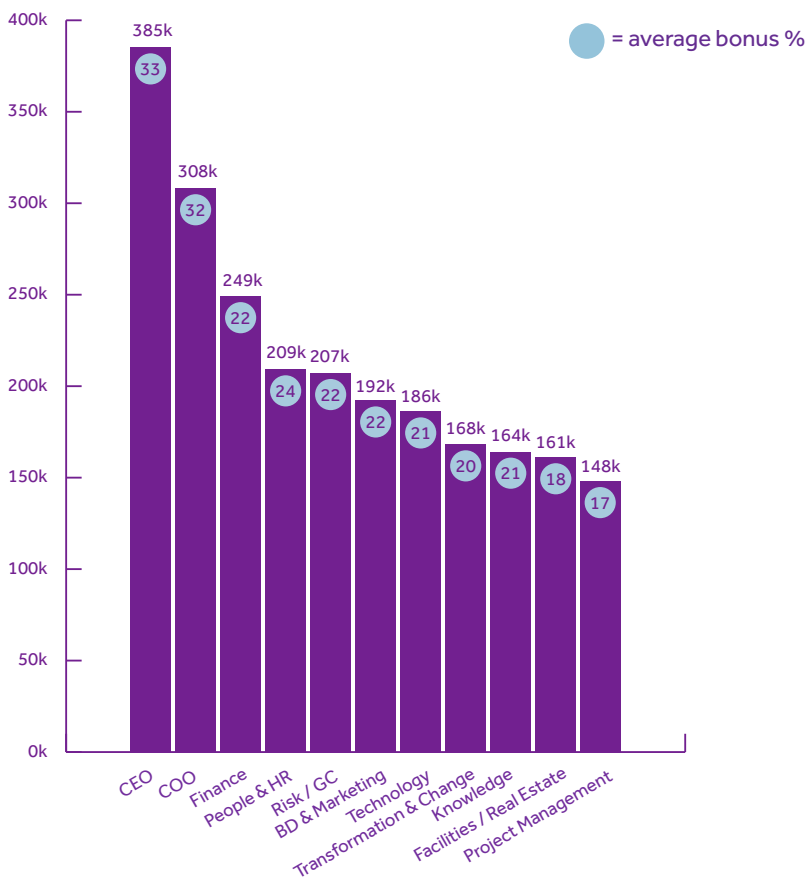
By looking at salary and bonus bands across different business services functions, we can provide average salary and bonus percentages across different senior functional roles (see figure seven). The figures here should provide a benchmarking guide, even if the underlying trends are not hugely surprising: at the top end of the salary and bonus scales lie the CEO and COO roles, followed by Finance, then People & HR, Risk/GC, BD & Marketing, and so on.

In terms of the bonus percentages, we asked respondents to provide the maximum bonus payable for each function (firms awarding a combination of shadow equity points and discretionary bonuses were asked to state the combined total percentage). In response, a couple of respondent firms of £500m+ stated that they pay their Directors / Chiefs a maximum of 100% bonus in one or more functions; while interesting to note, the very small numbers at this level would have skewed average responses and were therefore not included in the overall average calculations.

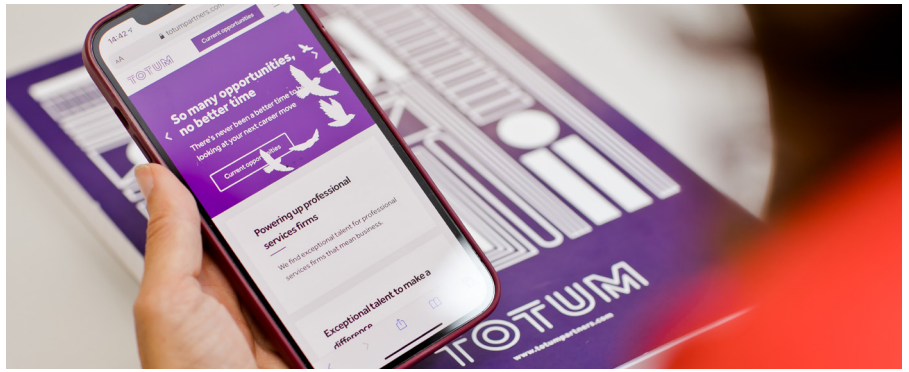


Figure seven

Average salaries and bonus percentages by function



Looking at these same figures by size of firm, and the trends are much as would be expected. Generally speaking, smaller firms in the lower revenue brackets offer lower salaries for their Chiefs and Directors than larger firms making more revenue (see figure eight). There are some exceptions here, however: in the COO function, for example, there is more salary fluctuation. This reflects the fact that the COO job descriptions can vary considerably between firms, with some roles encompassing a broader or more senior remit than others.



In specific areas, we might see some interesting shifts in salaries in future – for example, in facilities we have seen some new roles emerging with responsibilities covering, for instance, global real estate strategy. While such roles are not yet common, we have received an increasing number of enquiries on scoping out jobs that address important resourcing/office decision making in the wake of the pandemic. In our view, roles like this are likely to increase, with salaries commensurate with their high seniority and firm-wide remit.

Figure eight

Average functional salary by size of firm

	CEO	COO	BD & Marketing	HR	Finance
Under £50m	£162k	£217k	£139k	£156k	£187k
£51m-£100m	£306k	£287k	£142k	£145k	£151k
£101m-£200m	£363k	£306k	£171k	£191k	£228k
£201m-£500m	£425k	£250k*	£230k	£245k	£287k
£501m+	£501k+	£394k	£246k	£271k	£339k

	Risk / GC	Project Management	Transformation & Change	Technology	Facilities	Knowledge
Under £50m	£113k	-	-	£119k	-	-
£51m-£100m	£133k	£125k	£159k	£127k	£132k	£121k
£101m-£200m	£188k	£138k	£163k	£159k	£179k	£128k
£201m-£500m	£208k	£126k	£150k	£196k	£138k	£173k
£501m+	£270k	£188k	£197k	£271k	£178k	£200k

Bonus payments

The majority of firms pay discretionary bonuses (76%), although a minority pay bonuses contractually or via a combination of contractual and discretionary arrangements (see figure nine), with three quarters of respondents paying bonuses as a percentage of salary (see figure ten). It is also interesting to note that 85% of firms pay their bonuses on an annual basis (see figure 11), typically in July (a fact worth remembering for firms that pay sign-on bonuses – see below).

Discretionary bonuses are agreed using a relatively even mix of firm, team and individual performance criteria (approximately a third for each) – requiring firms to take a sophisticated approach to assessing these different areas to avoid confusion and ensure consistency and transparency.



85%
of firms pay their bonuses on an annual basis

Figure nine

Is the bonus contractual or discretionary?

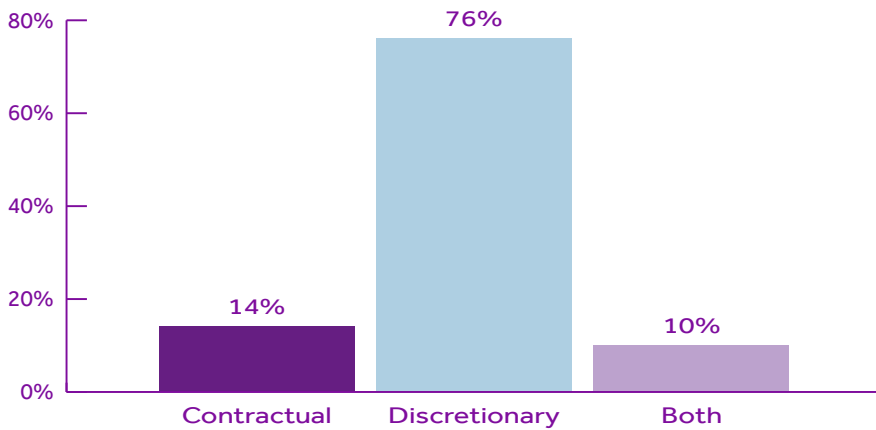


Figure ten

Is the bonus paid a percentage of salary or a fixed amount?

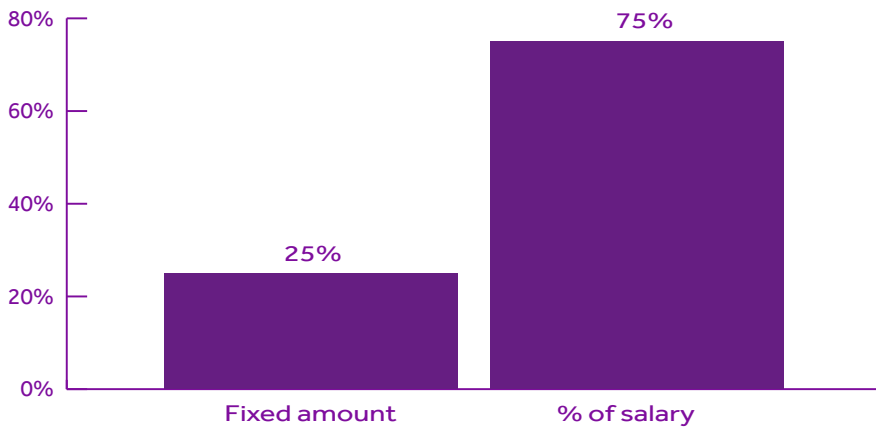
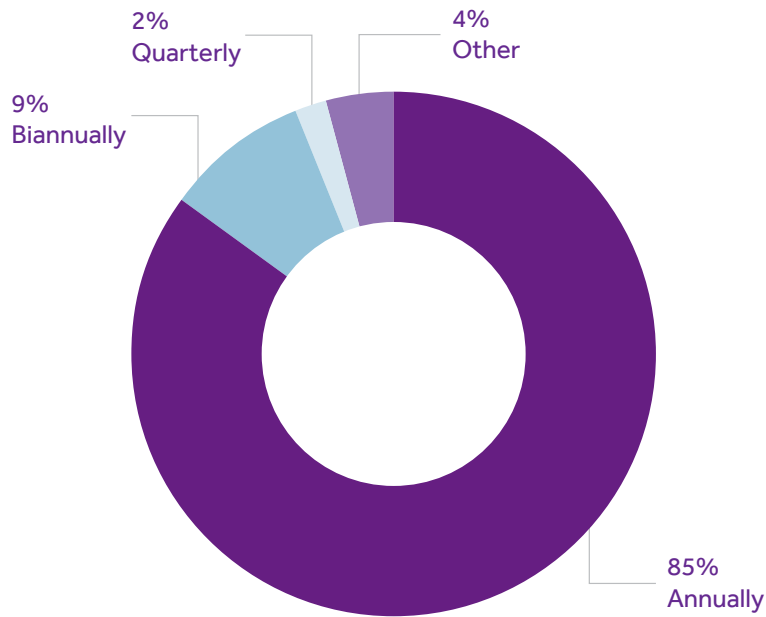


Figure eleven

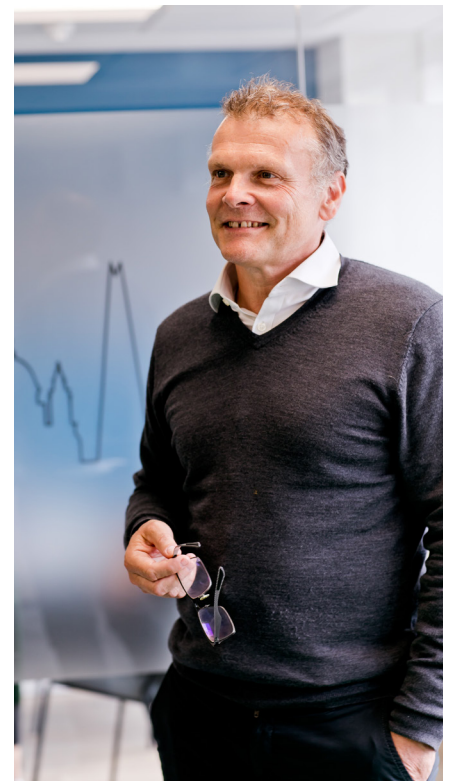
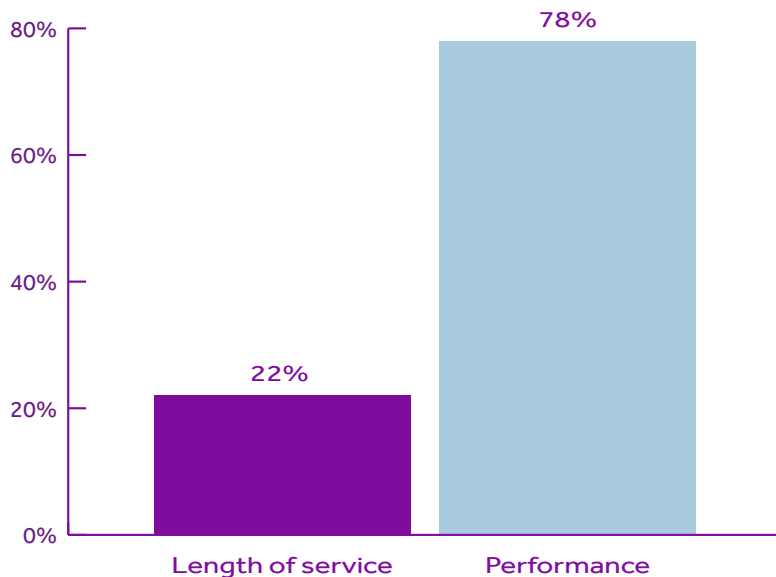
When do you make your bonus payments?



Of those firms that award their Directors and Chiefs shadow equity points, just over a third (36%) also have a mechanism to increase (or decrease) them – again chiefly using performance as the criteria for decision making, although a smaller percentage use length of service (see figure 12).

Figure twelve

If you have a mechanism for increasing or decreasing shadow equity points awarded to your Directors / Chiefs, what factors do you consider for making such a change?

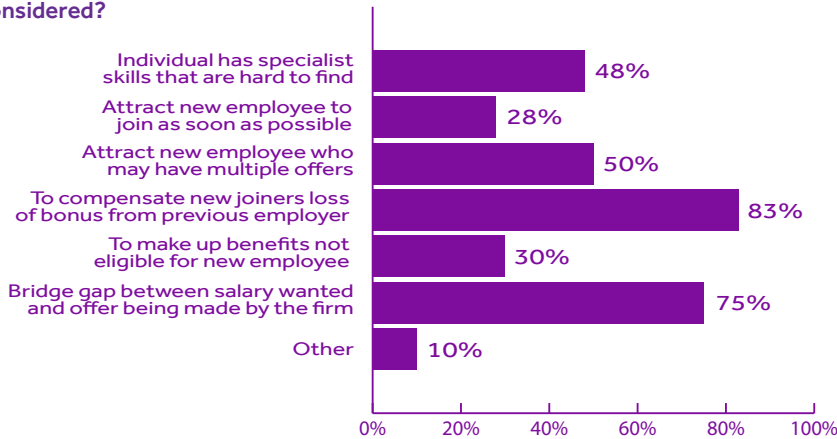


Additional bonus structures

As bonus payments have become more widespread in business services over the years, it also seems that firms are becoming more creative in the ways they are using bonus structures to attract new talent. Hence, 70% of respondent firms now offer sign-on bonuses, with a further 4% thinking about them for the future.

Figure thirteen

If your firm offers sign-on bonuses, what criteria are considered?



The reasons given vary, although the majority offer sign-on bonuses to compensate new joiners' loss of bonus from their previous employer (83%), followed by using them to bridge the gap between salary wanted and the offer being made by the firm (75%) – see figure 13. Sensibly, the majority of firms (79%) protect such investment by including claw back provisions for these sign-up bonuses, should someone leave within a certain period.

Such bonuses provide hiring firms with increased flexibility over their offer packages – and reflect the individual nature of recruitment at this most senior level. Being able to tailor a bonus offer to meet the specific needs of a talented candidate gives firms considerable room for manoeuvre in a competitive leadership recruitment market.

Interesting too, is the fact that most firms (49%) think that sign-on bonuses will be used more as the market improves (see figure 14). As firms move beyond pandemic restrictions, these bonuses may well become a vital tool in helping to convince senior professionals to make the move to a new role, which could in turn deliver important leadership capabilities for a new post-Covid era.

In addition, firms are currently using exceptional bonuses to help retain vital leadership talent – with 51% of respondent firms already having made exceptional bonuses as a result of the pandemic and a further 21% planning to do so in the next six months (see figure 15). In a sign of how important business services Directors and Chiefs have become, firms are keen to use bonuses to prove that it's worth staying put.

Figure fourteen

We expect sign-on bonuses to be used more as the market improves

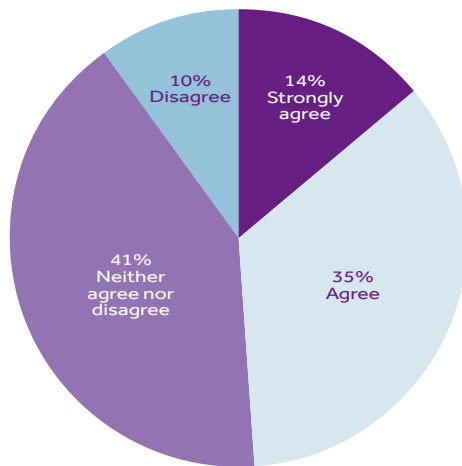
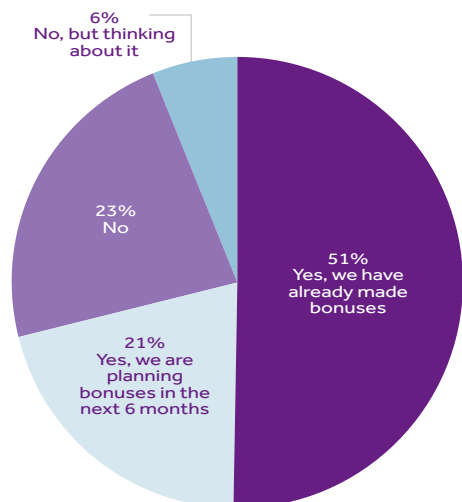


Figure fifteen

Have you or are you considering rewarding any exceptional bonuses as a result of the pandemic in the next year?



Beyond Covid

The legal sector has shown considerable resilience through the pandemic publishing strong financial results for the year despite successive lockdowns. The salary and bonus figures highlighted in this report reflect that strength in performance, with today's Chiefs and Directors in law receiving compensation packages that compete highly favourably with other industries/sectors.

While salaries/bonuses are rarely the only decision-making factor for candidates choosing one firm over another, they help demonstrate a firm's commitment to a role and the value that they store in business services functions. For individual Chiefs and Directors who know they must meet huge expectations to drive a firm's business capabilities, the salary/bonus is essential proof of a firm's willingness to reward such effort.

That increasing numbers of firms are also giving their Chiefs and Directors partnership status reinforces an important shift too: that these leaders are seen as equal to lawyers. That's a mighty shift from the days when BD & Marketing, Finance, and so on, were seen as strictly 'support'. For smaller firms, set up as ABSs, equity partnership may also form an important differentiating factor for candidates choosing between offers.

Even where partnership may not be on the table, firms are using other compensation tools to attract and retain the best leadership talent they can find. Bonuses are proving vital here with firms going beyond the usual percentage-of-salary offers, to additional sign-on and exceptional bonuses that can give them the edge in attracting and retaining great talent. That these can form part of bespoke packages tailored to meet individual needs demonstrates the personal nature of recruitment at this level: placing the right business leadership talent is no tick-box exercise.

This is a competitive landscape for firms seeking the best people to take on Chief and Director roles across business services functions. As this report shows, today's business services Chiefs and Directors can look forward to significant financial rewards for shaping the future fortunes of their firms.



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