

Lateral hiring of partners in law firms

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Practice Management analysis: What should firms bear in mind when undertaking lateral hires? Peter Scott, principal of Peter Scott Consulting, and John Grimwade, founder and managing director of JDP, examine what firms should bear in mind when undertaking lateral hires.

How widespread has the lateral hiring of partners in law firms become? What has been the trend in this area and are there any discernible changes in the trend?

Lateral hiring of partners, using the search process, has been commonplace among the larger law firms for many years and most would say that it is now a key element of their overall competitive growth strategy. Increasingly, smaller firms and boutiques are enjoying success in the strategic lateral hiring of partners.

There is currently a very noticeable trend towards the lateral hiring of teams (ie partners together with their associates), in order to maximise the chances of client portability, although these moves need to be planned and executed carefully to avoid legal pitfalls.

What are the main considerations that prompt firms to hire partners laterally? What are the benefits?

Law firms undertake strategic lateral hiring initiatives for a variety of reasons, including:

- o succession and/or leadership of practice groups
- o bolstering an existing practice group or team
- o reigniting a failing practice group and/or broadening its capability
- o launching a practice group in a new geographical region or complementary sector
- o investment in new practice areas/legal disciplines to plug client perceived 'gaps' in a firm's service offering
- o replacement of departing or retiring partners

Successful lateral hires bring expertise in their chosen sector and legal know-how, which a firm may otherwise lack, together with an existing pipeline of transactions/cases and potentially a cohort of loyal clients and relationships. In addition, many also possess valuable and elusive leadership and client development/rain making skills which can be put to profitable use if a firm is skilled in integrating lateral hires.

What should firms bear in mind when undertaking lateral hires?

There are many things to consider and questions to answer before embarking on a lateral hiring search initiative, including:

- o What is the strategic need for the lateral hire partner and/or team? Client perception surveys will often identify this.
- o Is there not already someone in the firm suitable for the proposed role/appointment?
- o How might the appointment of the proposed partner and/or team affect others in the firm?
- o Will the required level of investment necessary to acquire and make a success of a suitable lateral hire be acceptable to the partnership?
- o What is the profile of the ideal candidate?
- o How to compensate, integrate and evaluate incoming lateral hires?

Compensation can be a difficult hurdle to overcome, particularly if a firm has a 'lockstep' system involving parity of earnings but where potential lateral hires are likely to be in firms where there is a performance-based element to reward. Increasingly firms are accepting the need to move to remuneration models involving an element of performance-based reward in order to be competitive in the lateral hire market.

Integration of the lateral hire partner can also be problematic if not handled with skill. Firms seeking to make lateral hires need to understand that it is not sufficient just to give the lateral hire an office and a desk and expect them to get on with it. Both parties must work at ensuring that the lateral hire becomes an integral part of the firm as soon as possible.

What are the possible pitfalls in lateral hires?

There are numerous pitfalls, some of which are noted below, that more often than not can be avoided by way of careful planning, execution and due diligence:

- o poor candidate profile identification and selection
- o an unplanned and haphazard interview process which will not impress the partner the firm is trying to attract
- o little or no due-diligence and background checks
- o failure to carryout meaningful discussions with referees
- o little or no integration planning
- o a lack of back-up resource and support, such as the appointment of a mentor
- o a lack of 'ownership' for the lateral hire which is likely to mean that integration does not take place and the lateral hire is left feeling 'unloved' and unwanted
- o a culture opposed to the inclusion of incoming partners--unless a change of culture can be brought about, such firms should probably not attempt lateral hiring
- o ad hoc merit based compensation structures as opposed to carefully designed reward systems which aim to fairly match reward to contribution and are aligned with the strategic objectives of the firm

What are the main factors in ensuring that lateral hires succeed?

First and foremost, the interview/meet and greet team for the hiring firm should be carefully selected and well versed in what it is they are looking for in the lateral hire partner, as well as having a thorough understanding of the scope of the role that they are seeking to fill. In particular when 'interviewing' they should all 'sing from the same hymn sheet'.

The search should be conducted in a structured manner and promises to potential candidates with regard to the delivery of information and further meetings should always where possible be met, notwithstanding any intervening client demands.

Due-diligence and background checks on candidates are an important part of the lateral hiring process and should not be left to the last minute or overlooked. Candidates are not always what they seem to be at first sight and sometimes their 'story' does not quite ring true. Checking out any legal constraints there may be on their ability to move must be cleared at an early stage.

A carefully devised integration programme for incoming partners is key to their success and should include regular access to the senior management team which should actively lend itself to the process if success is to be achieved.

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