

Why Do All the Laterals Leave?

Before you hire them, learn the expectations of candidates, from compensation to management style.

BY AMY K. SAVAGE

These days, the ability to hire strong lateral partners is an essential component of a successful law firm hiring plan. Retaining those partners, however, can be difficult. That is often due in large part to an expectations gap.

The legal search firm Major, Lindsey & Africa recently conducted a comprehensive survey of more than 1,000 lateral partners from 244 firms and discovered that, although most law firms have dramatically improved their integration efforts (compared with a similar survey the firm conducted in 1996), there is still quite a gap between what laterals expect and what they get when it comes to practice support, integration into the workings of the firm, and expanding their own client base.

Perhaps nothing will ever fully bridge this gap. There is only so much that can be revealed about expectations through “due diligence” before a lateral partner and firm actually begin working together. Nonetheless, the likelihood of a successful and lasting relationship with a lateral partner will be increased if law firms listen to and address expectations with lateral partners at every stage of the process, from negotiating their hiring through integrating them into the firm’s practice.

See if this scenario sounds familiar.

After devoting months to secret negotiations, a law firm announces the hiring of a new, razzle-dazzle lateral partner. Big, splashy ads announcing the hire are placed in all the major periodicals. The firm and partner huddle for countless hours trying to conjure that magic word—synergy—to build the firm’s practice. Yet a year or two later, the partner abruptly packs his bags for another firm.

The failure of a lateral partner hire can be devastating for all sides. The lateral partners may lose credibility, clients, and opportunities for future business; their immediate team members may lose their jobs; the hiring firm involved may suffer a loss in its reputation; and the laterals’ clients may lose continuity of representation.

What happened? And how do you prevent it from happening again?

IT’S NOT ALL ABOUT MONEY

At the surface, this appears to be an easy story to explain: The lateral partner left to make more money. But is it that simple? Are lateral partners always the automatons described in Economics 101 textbooks, who blindly follow a whiff of profit to the next firm?

Our experience suggests not: Human beings, whether in law firms or otherwise, tend to seek situations where they can feel good about the people with whom they work, overcome challenges, fit in with peers and colleagues, prove their worth, be successful, and grow personally and professionally. Indeed, Major, Lindsey & Africa’s Lateral Partner Satisfaction Survey discovered that the “level of anticipated compensation and/or compensation structure” was ranked as one of the least significant factors for laterals when they chose their new firms, confirming that the lateral-firm relationship is about much more than money and that law firms and potential lateral partners need to listen to each other on several key topics.

Listening is an easy thing to do, so it must already be taking place. Right? Apparently not. Our survey asked laterals if their new firms had engaged in five specific activities to help discover their needs and successfully integrate them into their business. The activity that received the lowest score—that laterals said firms did not do well—was “to elicit my expectations.”

Clearly, much more needs to be done. Rather than just paying lip service to the listening concept, we suggest that law firms take these concrete steps to improve the success of their next lateral hire.

JUST LISTEN

First, listen to lateral candidates’ expectations about important issues. During the course of the survey, several law firms rose to



Law Firm Administration A Special Report

the top for both “meeting expectations/satisfaction” and successfully integrating their lateral partner hires. Again and again, those firms credited their success to getting to know how their lateral candidates fit into their business.

It’s fun to learn about candidates’ golf handicaps, but you also need to ask the questions that matter in the long run. This isn’t about identifying someone to hang out with but about bringing in someone you can trust to build your business.

Reed Auerbach, managing partner in the New York office of McKee Nelson (which was ranked No. 1 in both satisfaction and integration), summed it up when he said, “We ask them [lateral hires] what we need to do to double or triple their business, who they would add to their dream team if they could. In short, ‘How can we build an empire together?’”

Auerbach’s first three words seem to be extremely important: “We ask them.” But firms won’t accomplish much if the answers provided are not acted upon.

The MLA survey also asked laterals what was most important to them when they made a lateral move and what they expected their new firm to provide. Among the most important were:

- **The firm’s ability to support the lateral’s practice and help take it to the next level.** As Reed Auerbach did, ask your lateral partners how you can build an empire together. The laterals said that the single most important factor in choosing their new firm was the ability of that firm to support and expand their practice and to provide them with a platform and a supportive environment.

What is disturbing is that the laterals in the survey also identified their new firm’s failure to meet that expectation as their greatest source of disappointment.

This is, therefore, where the greatest opportunity exists. Find out what your new lateral partner means by practice support. Does he want to offer his existing clients a one-stop shop? If so, craft a plan for introducing them to each of your firm’s practice areas and make sure those practice leaders reach out to them. Does the new partner want certain types of administrative help, a paralegal with deep experience in a specific area, a special kind of coffee in the office? Periodically evaluate your staffing needs, ask your partners if they’re getting the support they need, and spot problems before they spiral out of control.

- **The personality or style of partners they met or knew previously.** Lateral partners ranked this as the third most important factor after practice support and culture/reputation. What is it like to work with particular attorneys? Has the lateral candidate had a chance to meet and interact with the other partners at the firm? Have there been attempts to spend social time with the candidate, to see if there is a fit personally as well as professionally? Have ethics and other “how we do business” issues been discussed? It is essential to make sure the new candidate shares your firm’s values.

- **The firm’s financial health.** What are the candidate’s expectations and understanding of the firm’s current financial status and debt management policies? This is obviously a sensitive area, and one needs to be careful about how much is shared with someone before she is hired. Establish a balance of protecting the firm while enabling the candidate to make an informed decision about the firm’s financial status and overall well-being.

- **How well-managed the firm appears to be.** The candidate may love your current managing partner, but is a new managing partner on the horizon? What does the candidate expect? Are term limits an issue? Is the firm changing to a different management structure? These are some of the issues that, if they change more quickly than the candidate expects, can catch new hires off-guard and lead to early departures.

- **The level of anticipated compensation and the compensation structure.** One candidate who did not clarify compensation issues before his hire was quite distraught to learn he was eligible for a 15 percent annual bump—he thought he had heard someone say 50. Other partners have been surprised when written terms of partnership agreements are actually enforced. Discuss every element of compensation with your new lateral partners, and then verify those expectations in writing.

In addition to these topics, each partner-to-law-firm match is unique and thus raises unique issues that should be discussed on a case-by-case basis. A successful recruiter can help identify and evaluate the individual factors to ensure that the match works for the candidate and the firm. The survey revealed that use of a search firm by itself did not make a successful move more likely, but lateral partners experienced greater satisfaction with their new firms when a search consultant had provided detailed information about the firm or had analyzed the fit between the lateral’s client base and the firm’s.

DELIVER THE GOODS

Now that you know the key areas to address, do something about it. Remember that this isn’t a one-off series of questions; it is an ongoing dialogue evaluating where the firm and the lateral stand.

Take action, and decide whether to maintain the status quo or implement changes. Acting on the information gathered can yield tremendous benefits. If you listen to laterals’ suggestions, show that you are taking them seriously, and support them properly, it will go a long way toward keeping them motivated and committed to the firm, which in turn will improve their performance and the team’s morale while minimizing turnover. It makes the firm a great place for partners, associates, staff, and yes, even clients.

Asking the questions without taking action can be worse than not asking them in the first place, though. Asking creates an expectation that the firm will act on what is said. Not doing so makes those who are asked feel unimportant and that management was just “going through the paces,” and this can destroy morale. New hires will wonder why they should bother.

Listening, in short, builds a strong foundation for a long-term and profitable relationship. You need to know how to listen and what to listen for before and after the hire, and then take steps to apply these skills to all prospective and new hires. Use the information you gather to help match potential candidates to both the objective and subjective fabric of your law firm. These are small steps that can make a tremendous difference to your bottom line and to your firm’s ability to attract star laterals and retain them—all of which improves the long-term well-being of your firm.

