THE NEW ELLIS GROUP

Monday Monday

Connecting the Dots with Karen Kaplowitz

Helping you create and reinforce the habits of successful career building, gleaned from my work as a business development strategist, trainer and coach

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Measuring Successful Lateral Moves and Mergers: Show Me the Numbers. Lateral partner candidates typically provide extensive client information in lateral questionnaires: several years of client-by-client billings, collections, realization rates, and billing rates. Candidates also outline which clients they expect to follow them, the nature of client relationships and potential cross-selling opportunities. Firms in turn regale lateral candidates with cross-selling opportunities among firm clients and introduce relevant client relationship partners. Law firms in merger discussions similarly exchange detailed client information and tout the possible synergies.

Lateral candidates should ask for more detailed and meaningful data. If a law firm holds out to a lateral candidate the prospect of introductions to firm clients, candidates—or their recruiters-–can ask to see the 6-month, 1-year, 2-year and 3-year track records of comparable earlier laterals to see how well the firm integrated those laterals. Billing data—which is readily available—will disclose:

- How much time laterals billed to firm clients; these metrics will provide real evidence of the firm's ability to make introductions of laterals to clients of the firm.
- How much time other firm lawyers billed to clients brought in by the lateral; these numbers are one important measure of whether laterals remain siloed or are well integrated.

Lateral candidates should also ask firm management who will monitor whether laterals are being introduced to firm clients and generating resultant billable time. It is also important to know at what intervals this monitoring takes place. Also laterals should understand who will intervene to insure they meet firm clients and get assignments if the data does not reflect adequate integration.

Law firms being courted by bigger firms need to ask for the same kind of data. Exchanging lists of clients with theoretical possibilities for cross-selling is not as persuasive as actual data from prior mergers.

Since security is the goal in most lateral moves and mergers, it is critical for everyone to review readily available data and verify that expectations that accompany these courtships are achievable.

Example: A regional firm set out to become a national law firm by acquiring local firms in strategic areas. Its pitch to local firms included assurances that joining the new firm would open doors to many new client opportunities. The firm approached one prospective merger candidate whose managing partner was skeptical. She asked for several years' data to understand the amount of billable time in each office on matters that originated in another office. Several offices stood out for having only a small percentage of billable time on matters originating in other offices. The vast majority of billable time in New York was on matters originated there, for example. The explanation, that New York rates discouraged other lawyers from referring work to New York lawyers, seemed plausible. But when several other offices showed no appreciable increase over several years in billable time on non-locally originated matters, the firm's claim that a merger would result in access to many new clients seemed less convincing.

Numbers speak volumes. Before completing a merger or a lateral move, are you taking advantage of readily available data which will support or disprove claims that the merger or move will result in access to many new clients? With so many failed lateral hires and mergers, can you afford not to?

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