



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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Minimizing the Risks in Lateral Moves Part 2

Kudos to Major, Lindsey & Africa for the new [Lateral Partner Satisfaction Survey](#) which reports very high levels of satisfaction among laterals. Fifty-three percent said they were "very satisfied" with their current firm and nearly 80 percent said they would make the same move again. But less than half of the MLA survey respondents had been with their firms for more than five years. Appendix, page 66. The survey does not correlate satisfaction levels with tenure. So, we are still faced with the data reported by the [ALM Rival Edge](#) study on attrition rates that nearly 50 percent of lateral partners don't stay five years at their new firms. If five-year attrition rates are still as high as the ALM Rival Edge study indicated, there is still a lot of risk to be considered - and minimized - in connection with lateral moves. See [Minimizing Risks in Lateral Moves](#).

Are laterals doing their part to minimize the risks? MLA found that both laterals and law firms are putting greater emphasis on the importance of lateral partner integration which is key since lack of successful integration is a major cause of attrition. But MLA found that financial due diligence by lateral partner candidates remains "shockingly inadequate." Only 29 percent of survey respondents claimed to have read their new firm's financial statements and only 55 percent said they had reviewed their new firm's partnership agreement before joining. Given that lawyers are risk management professionals, the lack of due diligence among lateral candidates can't be attributed to ignorance. Is it just the "cobblers' children syndrome" or is it fear of being offensive?

If you are in the middle of a lateral move and have been reluctant to do financial due diligence out of fatigue or fear of offending a prospective firm, ask yourself these questions:

- If you were on a law firm's hiring committee, would you hire a lateral partner who did not examine the financial statements or partnership agreement of the firm?
- If your clients knew that you had not evaluated the financial stability of a new firm, would they be as likely to move their business with you to the new firm?
- Would your clients respect you if they knew that you did not use the strong risk management behaviors that you recommend to them?
- Would other lawyers follow you to a new firm if they knew you had not done due diligence?
- Would your spouse be enthusiastic about your move if he or she knew that you had not assessed the financial risks or reviewed the partnership agreement?
- If you are relying on due diligence by your recruiting firm into the financial strength of new firms, have you asked what due diligence they have done? For example, have they verified representations of the extent of debt?

Example: By the time a recruit had met more than a dozen partners at each of two firms, the recruit was enthusiastic but exhausted and anxious to conclude the recruiting process. The two firms offered comparable paths for career progression and comparable compensation packages. With the help of a well-informed recruiter, the candidate learned that the two firms had very different debt profiles. The firm with heavier debt also required new partners to fully pay their capital contribution in the first year but repaid capital contributions to withdrawing partners over three years. The additional risk if the lateral withdrew or the firm failed tipped the scales in favor of the firm with more financial stability.

In making career-critical lateral moves, are you doing your part to minimize the risks so you can count yourself among the "very satisfied"?