Daily Journal
CORPORATION

FEBRUARY 9, 2009

Integrating Laterals Requires a Solid and Specific Game Plan

FIRM GUIDANCE

By Karen Kaplowitz

AmLaw 200 firms spent hundreds of millions of dollars in 2008 on lateral partner moves. American Lawyer's recent Lateral Report confirmed that over 2,500 partners in the AmLaw 200 changed firms, not counting the total effects of the demise of Heller Ehrman, Thelen and Thacher Proffitt. If one estimates conservatively that 3,000 partners each spent 20 hours agonizing, interviewing, dealing with clients and moving, at an average billable rate of $400 per hour, that would be a loss of $24 million in billable time. If one estimates that lawyers in acquiring firms also spent only 20 hours for each move, that would be another $24 million of lost time. When you add recruiting fees and other costs, the numbers are staggering.

How well prepared are law firms to integrate all the new partners in their midst?

Judging from past experience, there are going to be a lot of disappointed partners and law firms this year. Two weeks ago, I wrote a cautionary newsletter piece on rainmakers' jumping ship without evaluating their new firms' ability to execute a successful integration. Typical responses were: "I wish I had considered these issues before moving two years ago," and "I have been virtually on my own since my move." We have also recently seen one prominent group of lateral partners in a niche practice leave a Los Angeles firm after only a year, complaining that they got very few introductions to other firm clients.

Most law firms focus on the obvious risks of lateral moves: Have laterals inflated their portable book of business? Is there a cultural fit between the parties? Will compensation demands of new rainmakers disrupt the established pecking order? But there are also hidden risks, the often completely unrealistic expectations on both sides that laterals can be integrated with ease.

The most common refrain of lateral recruiting: that the move will create new opportunities for the lateral to sell his services to a new client base, the new platform, and that the firm can sell its services to the lateral's clients. This part of the courtship is often delusional. It is, in effect, a commitment by everyone involved that they will undertake the most challenging parts of law firm marketing. If law firms can't get their existing partners to introduce one another to their clients, why should anyone assume that the task will be easier with lateral partners?

Many firms have no clear plan for onboarding new lateral partners. Often everyone continues to work off of the business plan that the lateral presented during the recruiting stage. But that plan was fundamentally a wish list of clients the lateral hoped to bring and perceived new synergies. That plan needs to be transformed into a specific game plan - not just by the lateral partner but by someone in the firm with deep institutional knowledge and power to get things done.

Peter Zeughauser, whose Zeughauser Group has helped many law firms integrate lateral partners, describes a good integration plan as including "a trustworthy, knowledgeable 'go-to' resource for the incoming lawyers" to help establish "appropriate involvement of the right stakeholders across practice and industry groups, offices, client teams and professional staff." Zeughauser also emphasizes the importance of firms providing a clear understanding of who is going to do what, someone in charge to make sure it all happens.

Laterals should demand support from firms but might as well accept the reality that their best chance of being successful is to use their own resources and client base to establish new relationships in the firm. The biggest mistake lateral partners make is to hold on too tightly to their old clients while expecting new partners to open their clients' doors. Laterals are often fearful that clients will not accept lawyers from their new firms and also want to be able to pick up and move if things don't work out. The fastest path for lateral partners to get their new colleagues to open doors for *them* to the firm's client base is to open doors to their own clients first.

A lateral partner's business plan must include identifying the lawyers in the new firm who can add value to the laterals' old clients. The analysis of which lawyers to introduce to clients has to be based on what benefits the client, not the firm. If a lateral has access to lawyers in China for the first time, but his old clients already have lawyers in China they like, that is the wrong avenue.

After factoring in which lawyers or practice areas add value to their clients, then laterals can and should be strategic about which lawyers to introduce. It makes sense to look for rainmakers who have clients of their own. Laterals should propose from the outset to firm rainmakers that they reciprocally find clients to introduce to one another. When laterals introduce other rainmakers to their old clients, they are not only generating more revenue for the firm, but they are giving important stakeholders a chance to see them in action.

Laterals must be careful to maintain control of client relationships. Proliferating work within the new firm should not mean giving up control, especially in the early stages of a move. Keeping control requires communications to both lawyers from the new firm and clients. Laterals must insist that new lawyers report back to them on matters for their clients. Laterals must also communicate to their old clients that they will remain watchful and accountable for the new lawyers' work. Keeping control means letting go of the day-to-day work and not micromanaging it, but never letting go of the ultimate responsibility for the client relationship.

Creating an onboarding plan to integrate laterals successfully clearly involves a heavy investment of people and time and many sensitive judgment calls. One firm that has the process down is Brown Rudnick. The most unusual element of its plan involves the collaboration of the recruiting staff and the marketing staff, beginning during the recruiting stage. The chief marketing officer of the firm meets all lateral partner candidates to help ensure clarity about the candidates' business plans and the firm's needs and expectations. When lateral partners arrive, the firm assigns each one a lawyer advocate. Recognizing the time demands on lawyers, the firm provides ongoing support from the director of professional recruitment and the marketing chief, who team up to identify specific lawyers for each lateral to meet, as well as particular deals and cases that they think new lawyers should be aware of. They make certain that new lawyers know when practice group meetings are set and encourage laterals to report on their progress. The director of professional recruitment reports on new lawyers' progress to the firm's management at regular intervals. Joanne McElhenney, Brown Rudnick's chief marketing officer, says, "We don't let them go off our radar for at least three months." The firm also monitors the responsiveness of lawyers in the firm who advocated hiring the laterals, looking critically on those who advocate for bringing in a lateral and then fail to contribute to their success.

We can expect the high volumes of lateral moves to continue in this economy. If firms do not invest more in integrating their new talent, we will also see more disappointed lawyers ending up in serial lateral moves, often at great expense to their careers and their law firms. As Carl Peters, a law firm consultant aptly notes, "The entertainment industry learned this a long time ago - it's relatively easy to buy the talent, it's managing it that's the hard part."

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