

The Leader's Role In Integrating Laterals

Here is the latest in a regular series of articles based on the work of the Managing Partner Leadership Advisory Board ("LAB").

The LAB was created by international law practice management consultant Patrick J. McKenna and Baker & Daniels Chair Emeritus Brian K. Burke to offer recently appointed managing partners a forum in which to pose questions on issues of critical leadership importance. LAB responses derive from its members' many years' experience as law firm leaders.

Along with McKenna and Burke, the LAB includes the following distinguished current and former law firm leaders: Angelo Arcadipane (Dickstein Shapiro LLP); John Bouma (Snell & Wilmer LLP); Ben F. Johnson, III (Alston & Bird LLP); Keith B. Simmons (Bass Berry & Sims PLC); William J. Strickland (McGuire Woods LLP); Harry P. Trueheart, III (Nixon Peabody LLP); R. Thomas Stanton (Squire Sanders); Robert M. Granatstein (Blake Cassels and Graydon).

QUESTION:

Like many firms, we seem to have been more active, recently, in attracting talented laterals to our firm. I read an article that stated "law firm management must take a proactive and strategic role in planning the firm's partner integration efforts." So, as a brand new firm leader, what specific actions would you recommend I take responsibility for, in helping orientate and integrate these new lawyers?

RESPONSE:

Your question asks about the Managing Partner's roles and responsibilities for effective integration of lateral lawyers into the firm. We identify a number of areas where the Managing Partner should have responsibility.

First, the Managing Partner should assure that the firm has an effective recruiting process for laterals. There are multiple dimensions that should be addressed here, including:

A. Assure that the recruiting process is designed to enable the firm to learn as much as possible about the lateral candidate. Because of constraints imposed by the confidentiality of many recruiting efforts, effective due diligence about lateral candidates often is difficult. Accordingly, the firm should strive to be creative and thorough in developing information about the lateral candidate. Google searches, searches of court and bar records, and background checks are among the resources available. Develop a lateral recruiting checklist to assure that someone in the firm is responsible for obtaining desired information from/about the lateral candidate.

B. Be alert for clues that the candidate provides about his/her values and interests during the recruiting process. One member of the LAB believes that he can learn much about the lateral candidate during the recruiting process and in negotiating the "deal" with

her/him. This is akin to the notion that people reveal their true selves on the playing field. Many lawyers reveal their true selves at the negotiating table.

C. Assure that your firm's recruiting process accurately portrays the firm's values and culture to lateral candidates and that candidates who do not mesh with the firm's culture and values are screened by the recruiting process. Unless this happens, no amount of integration will be effective. As one member of the LAB put it, "integration won't turn pepper into salt or vinegar into sugar." The firm's approach to setting compensation is one critical element of the firm's culture with which the lateral candidate should become thoroughly acquainted during the recruiting process. In sum, assure that the recruiting process is oriented toward achieving alignment between the firm and the lateral candidate on the firm's approach to compensation and its culture and values.

D. Because many laterals consider changing firms for a "platform" at the new firm that appears to offer better professional opportunities, assure that the firm's recruiting process accurately conveys to the lateral candidate what the firm's "platform" is and that the firm doesn't overpromise its capabilities. Doing so will help to avoid disappointments after the lateral joins the firm. Once the lateral is at the firm, look for ways to demonstrate to the newcomer how the firm's strengths can contribute to creating the opportunities that motivated the lateral's move to the firm.

Second, the Managing Partners should assure that the firm has a thoughtful integration plan/process (preferably in writing) for lateral lawyers, that the plan/process is properly led and staffed by individuals at the firm who will be accountable for successful lateral integration, and that the plan/process for integration is effectively implemented.

We identify several elements in an effective integration plan/process, including:

- Integrate the lateral into the firm through cross-staffing and cross-selling. Encourage the newcomer's practice group to meet with the lateral early in her/his tenure with the firm to identify the existing matters to which the newcomer might be assigned and the existing clients of the firm who might benefit from an introduction to the newcomer. Focus first on what the practice group and the firm can do for the lateral and later on what the lateral can do for the firm by cross-selling clients that she/he brought to the firm for additional services from the firm.
- Ask the newcomer to prepare a detailed business plan for her/his practice at the firm. The plan should have both short- and long-term dimensions. The first 100 days at the firm are critical and could determine whether the new lawyer will succeed there, so insist that the plan be as specific as possible about what the lawyer intends to do and what the lawyer will need from the firm during that period.
- Integrate the lateral's employees (legal assistants, associates, staff, etc.) into the firm's work for existing clients of the firm, introduce them to others in the firm, and acquaint them with the firm's culture.

- Introduce the lateral to the firm’s governance structures by inviting her/him to participate in the work of firm committees and boards.
- Encourage the people of the firm to include the lateral in social functions and to begin building friendships with the newcomer.
- Involve the lateral’s spouse and family in firm activities. How a lawyer’s spouse feels about the firm, especially during the early days of the relationship, could have profound effects on how the lawyer will feel about the firm down the road and how tolerant the spouse will be about the long hours that the lawyer will devote to building her/his practice at the firm.
- Assign a current partner at the firm to mentor or coach the new lawyer. This partner should have responsibility for assisting in the lateral’s integration into the firm and for monitoring her/his progress at the firm, especially during the critical first 100 days of the lateral’s tenure with the firm. The mentor/coach should be held accountable for effective integration of the lateral and should report periodically to the person in the firm responsible for lateral integration.
- Don’t overlook the mundane, including such matters as licensure. It is important to know where the lateral is licensed, where she/he needs to be licensed, what she/he can do until licensed.
- Take a personal role in the integration by (1) helping to introduce the lateral to key elements of the firm’s culture; (2) explaining to the lateral how the firm’s compensation system is intended to work, including what is expected of lawyers at the firm in terms of their performance and participation in the compensation process; (3) assisting the lateral with “connectivity,” *ie.* with whom at the firm should the lateral “connect” on client, firm, and administrative matters; and (4) meeting personally with the lateral from time to time to assess her/his progress, to hear her/his observations about the firm and to learn from the lateral what improvements the firm might consider making based on the lateral’s experiences before coming to the firm.

Third, understand that all laterals carry some risk and that effective recruiting and integration programs are desirable to manage this risk.

LAB NOTES

Here are some of the other question and response articles available at www.patrickmckenna.com/theLAB

[The Question of Whether To Focus on Core Practices](#)

(An excerpt of this article, entitled "**Support System**" appears in the February 2010 issue of *American Lawyer* magazine.)

As managing partner I believe that this is an important time for our firm to assess our strengths and strategically choose those practices for which we want to be known. There are three practice groups that I have identified as our best prospects for the future . . . for our competitive market position and for the firm's profitable growth. These would be the core practices in which I would envision that we invest the majority of our time and resources to build in 2010. The question (that I would sincerely appreciate the LABs advice on) then becomes how do I sell this internally without causing certain partners (and staff) to feel that they are second-class citizens or incite a palace revolt?

[Managing Partner Compensation and Reentry](#)

As I am about to assume the position as our firm's new managing partner at the end of this year, I have a couple of inter-related questions about compensation and practice reentry: Firstly, what is the optimal approach to compensating the firm's leader? Secondly, what understanding about compensation during the managing partner's service should the firm reach with its soon-to-be managing partner before he/she takes office? I would also welcome your group's counsel on what understanding should the firm reach with its managing partner about his/her reentry to practice at the end of his/her tenure as the firm's leader, and what understanding about compensation should there be for the transition period during which the former managing partner is reentering the practice?

[Measuring Practice Group Performance](#)

As a relatively new managing shareholder I am attempting to assess the various practice groups we currently have throughout our firm. My question to the group is: What specific metrics do you use and find to be worthwhile in assessing or measuring the performance of your practice groups? And, is there any difference in the metrics that you would use for a practice that is pretty much only in one office versus a more regional or national group?

[In The Footsteps Of A Successful Predecessor](#)

I was elected as the new managing partner of our 80-lawyer, one office firm effective at the beginning of April. My predecessor had been the firm's leader for some 15 years. I was naturally thrilled with the confidence my partners seemed to have in me. I've become dismayed to now discover that many of those same partners continually tell me about how great my predecessor was. At first, I brushed it aside as just me feeling a bit insecure. But it has now been a month and I'm starting to wonder what I should be doing to counter having such a tough act to follow. I would be most grateful to hear your group's suggestions and ideas.

[Keeping Morale Up In A Downturn](#)

The current economic climate is proving exceptionally challenging. Our firm went through two different layoff announcements last year, albeit both were rather small compared to what we are all seeing now. We were hoping for a turnaround this year, but in the event that things continued to deteriorate we put contingency plans in place for further cuts at the end of the first quarter. It appears that we now have to implement that plan. This will be our largest round of personnel cuts. Meanwhile, on one of those notorious web sites I read this note following our last layoffs in December: 'Well, I have to say, this is no surprise. The associates and the support staff bear the brunt of the cuts to continue to support the lavish

lifestyles of the partners. Expect more cuts soon . . . ' Under such market duress how in the world does one go about keeping up the morale of your people, both lawyers and staff members?

[When The Urgent Displaces The Important](#)

I've just taken on the leadership of our firm (what great timing I have); and indeed that is at the heart of my question as I am also desperately trying to maintain a bit of a legal practice over the next four years (my term in office). I am not sure whether it is simply a result of the economic doldrums we are all in, but I have been just overwhelmed by the office drop-bys, the desire my partners have to chat, the requests for one-on-one meetings, and the sheer demands on my time. I am sincerely hoping that this will taper off over the next few months, but conscious that I need to set a rhythm and manage peoples expectations, if that is possible. Please tell me that you have some valuable tips for me; techniques that you have used and that I could employ to better get a handle on the time I need to spend managing this place.

[Reflecting Upon The Impacts Of Economic Adversity](#)

Managing a sophisticated law firm is not a quarter-by-quarter exercise, but here is what we know after three quarters into 2008: revenue growth has reversed; there is immense profit margin compression (largely due to associate costs); and this slowdown is hitting the most profitable firms the hardest. Will this economic trough alter the long-term demand for legal services? Some claim that the players may be re-shuffled, but the intrinsic demand will remain the same no matter what happens electorally in November. I am not so sure! And will this economic adversity accelerate the consolidation of our profession? Faced with making severe talent cuts, some firms may find their attractiveness to laterals and law students compromised, and their viability as independent going concerns in question. I would be interested in hearing from your group on what strategic decisions law firms should be considering in light of the challenges in the U.S. and international economies.

[Clarifying Role and Communications With Office Managing Partners](#)

I am the relatively new managing partner at a regional firm of about 400 attorneys. We have seven decent-sized offices, each with their own Office Managing Shareholder, each spending about 25% of their time on office issues. Over half of these folks were appointed by my predecessor and have been OMSs for less than two years. As with many firms we have been shifting the locus of our operations to a practice group configuration. Embarrassingly, we seem to have ignored this group such that we have never had a separate meeting of our OMSs for the past ten years. I am looking to change that and plan a one-day session next month for these folks, but want to make it a "business day" with meaningful activity. Any ideas you can offer for agenda topics? What have the various firm leaders in your group done that has worked effectively for gatherings of this nature?

[Handling Boomers Approaching Retirement](#)

Over the past 20 years, most of our attorneys (between the ages of, say, 57-63) begin to slow down somewhat, their total compensation begins to slide downward with their production / hours, and eventually they decide to go Of Counsel (which is close to semi-retirement here). Our Of Counsel arrangements generally include two years of regular firm benefits (including firm contribution for health, dental, life insurance). The initial compensation portion of the Of Counsel arrangement has varied considerably, depending upon the senior attorney's timing and ongoing value to the firm, e.g., does the attorney have many loyal clients whom we hope to transition to others? Will the attorney cease all billable work or merely reduce time over a 2-4 year period? Thus, some attorneys receive a predetermined salary (generally a portion of the prior base salary, but usually with no expectation of a bonus), others receive pay based on a formula, and others receive nothing (but with a possibility of a discretionary bonus if they in fact produce some revenues--either by billable work or client billings). The Firm obviously would like to capture the senior attorney's good will and client base, if possible, and to assist the senior attorney into retirement. Do you have any suggestions for ways in which law firms can promote the various interests / goals in a fair manner?

[Evaluating and Compensating Firm Leaders](#)

My question is how to evaluate and compensate partners for their leadership work - - from the Managing Partner to Practice Group Leader to the Office Managing Partner, etc. As our firms have grown, the era of titular but ineffective and unaccountable leadership has passed and the jobs have become very time-consuming and demanding. Some practice groups can be the size that whole firms used to be. At the same time most leaders are also producing lawyers. Balancing these two roles and compensating them is a challenge.

[Deciding To Downsize](#)

Over the past three months we have responded to this economic downturn by taking action on our collections, ratcheting-up our marketing efforts, and shifting various of our underemployed attorneys to different practice areas. Nevertheless by the end of May, with billings down dramatically and our juniors costing us \$160,000 in salaries alone, we have decided that we cannot passively ride out these difficulties and need to make some hard decisions. Therefore, later in June, we will be quietly de-equitizing some of our underproductive partners and reluctantly announcing layoffs, of both associates and staff. We are a firm that has never had to take this kind of painful action in the past, and I fully expect it to take its toll on firm morale and productivity. How can I help people adjust to these new realities and get things back on track?

[Having Performance Standards](#)

We're considering adopting performance standards (including billable hours, effective rates, billings / business development contributions) for shareholders. While we have fairly precise standards for an associate to become a shareholder, and we really only have one class of shareholders, we don't have standards to remain a shareholder.

I'm wondering if:

- you have a feel for the percentage of firms our size (say, 100-300 or so) which have performance standards; and*
- you have any advice for me on this subject.*

Assuming we adopt written standards, I'd think the next two key items are:

- implementing them, including dealing with shareholders who consistently under-perform and perhaps creating certain exceptions; and*
- deciding if there will be specific means to deal with those who don't meet the standards (e.g., not eligible for bonus, must give up equity and go to Of Counsel, or other status.)*

[Dealing With A Chronic Complainer](#)

It seems that one particular partner has been in my office every week complaining about something. It is either about how I should be exercising more management authority over some other partner or the way certain things are being done. What do you do with partners like this?

[Preparing For The Worst](#)

As a relatively new managing partner I have not been involved in the management of our firm at any time that experienced a downturn in the economy. Do you have some advice for those of us who are going through this for the very first time? How do we manage our partners expectations given the ever-increasing compensation that they have all been enjoying over the past ten years and what are some prudent actions to consider in preparing for the worst-case economic scenario?

[Double Team At The Top](#)

It would seem that many firms have a firm Chair and a managing partner. While this division of labor may make sense, I suspect that the skills involved are quite distinct. Should firms have both a chairman

and a managing partner? Should what appears to be a common policy of automatically promoting the managing partner to firm chair at the end of the managing term, be the best way to go? What is your group's view on the right division of responsibilities between a firm chair and a managing partner?