



Week of **March 9, 2010**

All the Right Moves

Despite the worst overall job market for lawyers in decades, *American Lawyer* recently reported that there were a record number of lateral partner moves involving the firms listed in its AmLaw 200 ranking. There were 2,775 partners who left or joined the biggest firms in the country—a nearly 11 percent increase in mobility over the year before. When one thinks of the overheated lateral market right before the Great Recession, such a statistic is eye-opening. But it seems logical to conclude that firms add lawyers only to meet specific client demands and because the firm has a strategic goal for the practice of each lawyer added. Hiring fresh out of law school has been de-emphasized, perhaps for good, as firms emphasize lateral hiring of experienced associates and partners who have specifically desired skills or a strong book of business.

The tide running against new law school graduates is fundamental, particularly when lateral hiring of associates is an option. Take into account that considerable time was spent by partners in the recruiting and interviewing processes, as well as the education and mentoring (again often provided by highly paid partners) needed to assimilate new law school graduates into the firm culture and procedures, and the additional cost of reduced productivity in the beginning as the new graduate is getting up to speed. The total cost can be several hundred thousand dollars exclusive of associate salary. Thus large-firm managing partners agree it takes, generally three to five years to break even on the investment in a new lawyer straight out of law school.

A better solution is for firms to only hire an associate when needed, and to make the most of another firm's investment by hiring laterally. If firms want to strengthen their performance, hiring the right lateral for the right job will create more profits. Lawyers cannot and should not remain with their firm unless it is profitable for the firm to keep them on an ongoing



Growing Your Law Practice in Tough Times

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basis. At some point associates must earn more than they cost the firm. For lateral hires the answer can be expressed as a simple equation showing an individual's net profit value to the firm: **Billings - [Associate's Total Compensation + Direct and Indirect Expenses] = Net Profit**. Hiring laterals with an existing book of business leverages billings, decreases investment, and improves profit.

If the lateral who is added comes with a strong book of client billings (as many do), the financial gain for the firm is greater. Adding laterals also resonates with corporate clients who increasingly feel that they should be able to direct how their matter is staffed, going back to the initial budget for the matter. A lawyer with greater experience, who can rip through the analysis and work, will likely be seen as preferable to a recent graduate who may have a lower rate but who will take longer to get up to speed. The client gets a skill package and experience that more than make up for the lateral's higher billing rate.

Personal Commentary

As of this writing, my latest book, **Growing Your Law Practice in Tough Times**, comes off the press at West Publishing. I'm eager to see the actual volume in hand...and eager for those who read my words in this column to take advantage of the still current pre-release discount being offered by West to our readers. I believe you will be well served by its contents. Please contact me to place your order or [go to our web site](#).

This feels like a birthing process for me, obviously the closest I'd ever come to the real thing. The bond between mother and child is special and different, but creating something like this book is special, too. And it's the beginning of another chapter in my relationship with West LegalEdcenter. I look forward to working with our publisher by producing more teleseminars this year. Stay tuned, as they say.

Best wishes,

Ed Poll



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