



5 Mistakes Law Firms Make With Laterals

By **Erin Coe**

Law360, San Diego (February 14, 2014, 4:14 PM ET) -- Most law firms focus on bringing in laterals to bulk up their size and build their client base, but firms that misjudge the talent they need, obsess over a lawyer's potential book of business or neglect to integrate a new arrival are going to lose an opportunity to get the most out of their laterals, experts say.

Law firms regularly spend millions of dollars a year to hire laterals, and according to The American Lawyer's 2014 Lateral Report, more than 2,500 lateral partners moved to new firms last year. Although 96 percent of managing partners reported in a 2012 ALM-LexisNexis survey that more lateral partners would be part of their firms' growth strategy for the next two years, only 28 percent of managing partners reported that lateral hiring had been an effective strategy for their firm.

"If the vast majority of managing partners are saying lateral hiring is not successful, why are they continuing to follow the same strategy?" asked Lauren Stiller Rikle, president of Rikle Institute for Strategic Leadership and executive-in-residence at Boston College's Center for Work and Family. "This should be a sign that firms need to rethink how they recruit and integrate laterals."

According to experts, here are five mistakes law firms make with laterals.

Chasing the Wrong Talent

Before firms start shopping for laterals, they should look inward and analyze what kinds of lawyers they need to attract the clients they want, according to Gary Klein of attorney search consulting firm Klein Landau & Romm Inc.

For his entire 32-year career in legal recruiting, Klein says, law firms in Washington, D.C., that represent Big Pharma in product liability matters have been interested in hiring U.S. Food and Drug Administration lawyers because they think major pharmaceutical clients will want to use them for regulatory work. But this is a faulty hiring strategy that doesn't guarantee new business, he says.

Because many pharmaceutical companies already have FDA attorneys at other law firms working for them or have decided to bring the regulatory work in-house, firms need to recognize that hiring a lateral from the FDA may not be enough of a draw to win the clients they are seeking, according to Klein.

"Law firms need to be extremely careful about their strategic hiring process," he said. "They need to look at hiring based on who the firm is and what it's seeking to accomplish."

Having Tunnel Vision on Projected Book of Business

In the recruitment process, firms tend to focus heavily on vetting lateral candidates based

on their billables and the clients they can bring to the new firm. But this approach is uncertain and can overshadow other important factors, such as whether the person will be a good fit with the firm's culture, according to Rikleen.

"A firm is trying to make a judgment on whether laterals can bring in the revenue they are projecting they can bring with them and the revenue they are projecting they can develop," she said. "But it's impossible to test the former. You can't prove in advance what clients or amount of business the lawyer can move from one firm to the next. And for the latter — how well a lawyer develops clients down the road — only the future will confirm if that's successful."

Larry Latourette, a principal at Lateral Link Group LLC, estimates that in a quarter of lateral hires, there ends up being a material difference between the amount of business that laterals say they can bring in and what they actually produce.

"It's natural for candidates to say they got these folks who are coming with them, but sometimes they overestimate," he said. "We all think we're better-looking than we actually are."

Firms during the recruitment process should be thinking about compatibility just as much as they think about revenue generation, according to Rikleen.

"You think you're hiring somebody based on his or her projected revenue, but if that doesn't pan out, does this person fit in with the firm, and can this person work as part of a team to do business development together? Firms need to make better judgments about someone's long-term fit within the firm," she said.

An obsession with laterals' portable book of business can also lead firms to overlook younger attorneys who are potential superstars, according to Klein.

"Portable business is wonderful, but your lateral hiring strategy has to be where you need to fill a talent gap," he said. "Firms need a very sophisticated strategy that isn't solely dependent on the holy grail of a major portable practice."

Leaving New Laterals to Sink or Swim

Lateral candidates may be wined and dined for months, hearing all the perks of joining a prospective firm, only to find that once they have done so, they are forced to fend for themselves.

"Some firms take all this effort to land laterals, only to leave them to sink or swim on their own merits," Latourette said. "Firms should have mentors for laterals, help them cross-market and introduce them to their clients to make them an integral part of the fabric of the firm. They shouldn't be the new kid sitting alone at lunch."

Most firms have some kind of integration plan, but the execution of these plans varies, with some falling far short of what laterals need to make a smooth transition into the firm. Even if a firm has an extensive integration plan that calls for a lateral to visit every office of the firm, it won't serve much purpose if the lateral is meeting with partners who aren't invested in helping the new attorney to do well, according to Klein.

"While some lawyers are perfectly happy to help attract a lateral, once that is done, they go back to doing their own thing," Klein said. "It's critically important to make sure that there are people in the firm, either in management, administration or the partnership, who are incentivized to make sure that laterals will succeed."

Firms will benefit by helping laterals connect professionally and emotionally because they

will be more likely to stick around, according to Latourette.

"Laterals can be the lifeblood and future of law firms if they are handled correctly," Klein said.

Neglecting to Market New Hires

Part of the reason firms fail to land the laterals they need is because they could be doing a better job of marketing themselves, according to John Hellerman, co-founder of Hellerman Baretz Communications. When a lateral comes on board, it provides a perfect chance for a firm to demonstrate why it is superior to competitors and how the new lateral's expertise will benefit its clients, but some firms fail to take advantage of it, he said.

"When a lateral chooses your firm, it's an opportunity to tell a story about why your platform is valuable for clients and for future possible laterals," he said. "As legal services are commoditizing, expertise and hyperspecialization are more valuable. The firms that show their expertise can lead to higher dollars and more sophisticated work. It also allows them to attract higher-quality talent."

Announcing the lateral's arrival in a press release is a start, but a firm might want to go a few steps further, setting up speaking engagements with news outlets and writing news editorials or think pieces that showcase the firm's practice and the lawyer's expertise, according to Hellerman. Promoting the lateral hire through a number of marketing channels not only raises awareness among clients and prospective laterals, but also shows new hires that the firm supports them.

"It's important for the firm to create content around a lateral's expertise to overshadow what was created back at the lateral's old firm," he said. "In comparison to upsetting existing partners by overpaying new laterals, aggressively marketing them is a relatively inexpensive way to demonstrate to laterals that they are important to the firm and that the firm is invested in their practice."

Focusing Too Much on Laterals

At the same time, firms should be careful about devoting too much time and money to attracting laterals, because it could end up alienating attorneys who are already with the firm, according to Rikleen.

"The frenzy of lateral hiring can completely destabilize the culture of a law firm," she said. "If firms are treating lateral hires like rock stars from a financial perspective, it creates an internal competitive culture where every partner focuses on his or her own portability instead of what's best for the firm."

Going outside a firm's normal compensation process to attract laterals could make existing partners feel insecure about their position at the firm and lead them to cling more tightly to their work and clients, she said.

"If you're questioning your firm's commitment to you or where you fit into the compensation structure, then your first goal is to set yourself up to be marketable," she said. "But if you're setting yourself up to be more marketable, you're not focusing on contributing to the firm you're in."

While major corporations have built sophisticated infrastructures to engage and manage their talent, many law firms are operating with only one director of professional development, Rikleen said.

"Law firms like to talk about running like a business, but they are not putting in place the

kinds of infrastructures that other businesses have to retain and develop their own talent," she said. "Devoting more time and resources to bringing in new people than you are devoting to integrating, retaining and motivating existing talent is not a successful strategy."

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