

Seven Reasons Law Firms Fail at Lateral Hiring

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At a recent meeting of large law firm leaders, we posed the following question: “What percentage of your lateral partner hires are successful or achieve their performance commitments within two years of being hired?” Their collective answer? Less than 20%.

To make sure that we were not artificially skewing the results with the imposed timeframe we posed the follow-on question: “Of all the laterals you have hired, how many take more than two years to achieve their expected commitments?” The collective answer: Less than one in twenty take *more than* two years. So, extending the timeframe doesn’t seem to improve the success rate.

We weren’t surprised by the results. Firms across the profession routinely report that hiring lateral partners is a difficult process with a low success rate. Why do law firms struggle with lateral hiring? More importantly, what can firms do to improve their results?

In many cases law firms know what to do, but never get around to doing it. In other cases, firms don’t like to be significantly different from their competitors, even if copying their competitors results in a low success rate, so they end up doing the same failing activities over and over. Let’s look at the seven most common problems and how law firms can solve them:

1. Identifying the Wrong Candidates

One of the most common problems is that most firms aren’t sure where to start: Who should we recruit? Who in the firm should determine our needs? How can we find the best candidates?

It isn’t surprising that firms struggle from the outset: The process can be daunting, there isn’t a lot of training on the topic, it detracts from billable time, and some of the best techniques aren’t always obvious or easy. As a result, these early steps in the process are often delegated to outsiders or lawyers/staff without any meaningful direction or explanation. The outcome? Initial efforts are often random and opportunistic, rather than focused, strategic and methodical.

The key is finding the right means to identify the best candidates and conduct meaningful due diligence. So, what are the best sources for identifying high quality, prospective lateral hires?

The most successful source? Clients. Too often firms/partners forget the basic facts of life – clients are in business, they too need to recruit high quality staff, and almost all of them

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struggle to find great talent. That means they are far more empathetic to the recruiting challenges law firms face than most partners realize. Admitting to a client that you are interested in growing to meet their needs, and that you want to hire truly talented, substantive lawyers won't shock them. Most will be flattered you asked for their help and opinions. Interestingly, firms that use this approach often report that clients will even go so far as making introductions or encouraging a target to consider a competitor firm.

It is common for firms that have never used this technique to initially have a negative or fearful reaction, but that is mainly because it is different than their historic approach. Yet, many successful firms routinely utilize clients to identify most of their potential lateral partners. Clients not only know who is good, and who has business, but they also know who may be unhappy or frustrated. They know too well when successful partners are surrounded by inadequate talent in their current firm. Most clients want the convenience of having a single firm with a stronger, deeper overall talent pool, so it isn't surprising to learn that they are enthusiastic in helping law firms build that capability.

The next two sources aren't secrets; the problem is, most law firms just never get around to them.

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Source Two – An Obvious but Underused Technique: Talk to the partners at competitor firms whom you know and work with regularly. The problem with this approach is that most partners act like teenagers asking out their first dates: They think about it. They talk about it. They make notes about it. They rehearse it in their minds. But they don't pick up the phone and do it. The irony is that most firms ultimately realize that their most successful lateral hires are partners they have known and worked with for years. Yet, calling a competitor is one of the most intimidating asks for the average law firm partner.

Source Three: The third source is also obvious, but again it is one that most firms are intimidated to try, or don't handle well: Contacting partners you don't know other than by reputation. Almost every law firm has endless lists of prospective lateral candidates. But again, their efforts largely end at the list-making stage. Many firms rationalize their inaction by telling themselves “no one who is successful would ever want to leave their current firm.” Occasionally they make a half-hearted attempt at finding someone who went to the same law school as their target, as if that is the secret to getting them to take your call (it isn't). Admittedly, it is intimidating to make a cold call to a prospective lateral. And yet the most successful law firm leaders do this routinely, have no difficulty getting partners to meet with them, and have a high success rate in terms of recruiting partners directly.

2. Superficial Interviews

Compounding the problem of identifying the wrong candidates is the fact that many firms then conduct superficial interviews: They are conducted by the wrong people, they produce hopeful rather than factual analyses, and generate little or meaningless feedback. Too often interviewers don't produce any useful notes on their meetings, so there is no accrued assessment for future interviews. Ask any director of recruiting and they will tell you in a typical round of lateral partner interviews they are lucky to get an email that says little more than "Nice guy/woman, we should hire him/her."

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Why don't law firms do a better job of interviewing candidates? One reason is that there is no glory in doing lateral partner interviews. Most recruiting coordinators will tell you that they would get more volunteers for a CLE on the latest tax laws than they do to interview a lateral partner. Or the primary criterion for too many partners is whether they get a free lunch in the process. In order to produce useful results, law firms should prioritize this process by identifying and rewarding the best interviewers to be involved in the process.

The fix? Start with getting the right people to conduct the interviews. Contrary to popular opinion, most partners are not skilled at interviewing and assessing laterals, so this is easier said than done.

- One of the most important lessons? Recognize that some partners love everyone and have a dismal record of predicting who will be successful. So why are they involved in making the decision? Even more surprising, many of these "go to" partners may also be your most successful rainmakers, your most brilliant experts, or even partners in management positions. Unfortunately, there is no easy correlation between someone's ability to judge laterals and other critical skills as a lawyer.
- There is a unique exercise we have developed which dramatically improves firms' results in assessing laterals: Have all interviewers predict (in writing) whether a candidate will be successful. Collect the results over time and compare the predictions against the actual success of those you hire. What you will discover is that some partners have an intrinsic talent for assessing partners and accurately predicting success, while many/most others don't. Those interviewers who consistently identify laterals who prove to be successful should bear more of the burden for interviewing/ approving candidates, and most of the responsibility for

making your hiring decisions. This is one of the single most effective solutions yet one that most firms haven't considered. And implementing this technique doesn't mean you should keep other partners from participating in the interviewing process: Those other partners are critical for acceptance and socialization reasons, but if they have poor judgment about lateral prospects then they shouldn't be making your decisions.

- Some firms have a bias against non-lawyers encroaching on traditional partner duties, yet some non-lawyers (practice group coordinators, Managing Directors, COO's, Administrators) have a dramatically better track record of interviewing and then accurately predicting who will be successful than do the partners. Some firms hate hearing that, yet it is repeatedly proven true. Like in the prior example, that does not mean you shouldn't have other partners interview a candidate. That process is necessary for acceptance and eventual integration, but it should be done at the right time in the process.

3. Rationalizing a Weak Candidate.

Many law firms view lateral candidates through rose colored glasses, emboldened by a desire to win a candidate who allegedly has the same qualities as its most successful rainmakers. Too often candidates become overconfident about the amount of business that will transfer or convince themselves that it was surely the fault of their prior platform that they weren't a superstar. The result? Wild, unrealistic projections that predict performance out of line with historical experience. Interestingly, one of the most frequent observations from firms who have high success rates with laterals is that they almost always turn down a candidate who blames their prior platform for their lack of success.

Another common mistake? Very few second lieutenants become great generals, yet it is easy to find a lot of second lieutenants to interview. The unfortunate truth is that turning a number two at a firm into a successful number one at another firm is rare, even for the most successful firms. As most great leaders ultimately realize, people don't change that much. (And that is not a knock against lieutenants – many great rainmakers can't manage a team without the unique and highly valuable skills of a lieutenant.)

So rather than rationalize weaknesses and hope for a magical transformation, ask hard, skeptical questions about how – or whether – the candidate will really benefit the firm.

- Set and communicate highly specific expectations for what they are to achieve, the timeframe to meet those expectations, as well as how they will integrate and cross sell with the firm's clients.

- Base future projections on actual past performance (not wishful thinking) and be honest about whether the candidate will advance the firm's market position.

4. The Wrong Pitch Attracts the Wrong Partners

Somehow, especially in the United States, marketing one's firm to laterals, or a lateral's pitch to a firm, has become synonymous with lying. Telling prospects your firm is a mythical organization with no problems, and that every lateral hire is immediately showered with work and endless client opportunities has become the norm. Not only is this typically less than truthful, but candidates recruited with such promises are rarely successful.

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The second most common "wrong pitch" is that too many firms attract laterals primarily with money rather than honest opportunity. This approach fails to understand that many of the best, most successful laterals aren't looking to make more in the short-term; they want to build a more satisfying practice, and money will be the side effect. As a result, they want to understand the firm's strategy, where there are holes in the strategy, and why they (and their group) will fill that void. One of the most important lessons you can learn is that partners who join your firm primarily for money will just as quickly leave your firm primarily for money. That explains why so many lateral candidates have been in four to six firms before their resume shows up on your desk.

5. Superficial Integration

The act of hiring someone often feels like success in itself. That's not surprising as it is often the culmination of a long process, significant fees getting paid, new marketing plans being developed, fresh faces showing up and seemingly new ideas being circulated. But successful firms understand that hiring someone is only the first step.

Most firms claim they integrate – they create checklists, hold lunches and "get-to-know-me" presentations, and send introductory emails to clients. People get excited and engage in integration efforts at the outset but then quickly get back to their own work. Not surprisingly, this approach rarely results in more than the hire bringing a fraction of their own clients to the firm or just continuing to perform as in their old firm.

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Successful integration – integration that results in new hires building more business, working with other partners, and contributing to the firm’s strategy - requires regular coordination and check-ins against the performance goals you jointly develop. And if goals are being missed, meaningful, ongoing discussion about what needs to change. If you have hired the right candidate this isn’t difficult. If you hired the wrong candidate you may as well have put the same energy into your existing partners, as that would produce dramatically better results for the firm.

6. Poor Partner Accountability

Firms that integrate laterals well tend to have both a partner sponsor, and a practice group sponsor. The sponsors are directly accountable for the success or failure of the lateral. If the lateral fails in their *efforts*, meaningful consequences are felt by the sponsors. If they fail in the *results* they produce, then there are no financial consequences to the sponsors, but the firm goes back and examines why they failed and fixes the process (starting with the identification of candidates).

Some firms have put together special integration teams that meet in-person with each lateral, 30/60/90/120 days after start. They report solely to the Managing Partner, and have the authority to reallocate vital resources, and force client introductions

7. Firms/Leaders Who Don’t Learn from Their Past Mistakes or Even Admit Them

Law firms tend to be among the most conservative of all professional service organizations, often reluctant to change in ways that appear different than their peers. It is interesting to compare our experience working with large consulting firms versus law firms:

- When a mistake is made in a law firm, it is often accompanied by a lengthy explanation as to why the mistake wasn’t really a mistake, or the blame is put squarely on someone else, or worse, nothing is ever said or admitted.
- When a mistake is made in a consulting firm, there is almost a gleeful race to examine the case study to figure out everything that can be learned from the experience.

Because law firms rarely admit or study why they failed they have a pronounced tendency to keep repeating the process – and the mistakes – over and over.

- Sometimes they justify the results by saying “all law firms struggle with laterals.”
- Because law school, unlike business school, doesn’t embrace the value of making mistakes, they rarely ask a poor performing lateral hire “what has worked/failed for you?”

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The techniques described above are based on the experiences of law firms that have extraordinary success rates with lateral partners. While there isn't any guarantee of success all the time it isn't difficult to produce dramatically better results. Firms must be willing to assess what has and hasn't worked in the past and make fundamental changes based on the experiences of more successful competitors.

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