Lateral Partner Integration

Protecting Your Firm's Investment

By Susan G. Manch

As the economy roils, law firms with strong capital reserves may be thinking this is a great time to make talent investments. They would be correct. However, it is important for firms considering this move to understand that this is a "seller's market" for flourishing portable practices. While firms are in the driver's seat if they want to hire some of the many job seeking lawyers with good experience, but no business, acquisition of a highly successful partner or group is a different matter. Partners who have built vibrant practices have options and most firms looking to expand their reach are looking in the same small sliver of highly desirable practices. Why would a successful partner in a busy practice leave in such uncertain times? Some seek new homes because their current firms are struggling and may not survive. Others are open to options because they see a fundamental shift in the market and believe it will have a negative impact on their current firm's position. A few are looking because they experienced a "wake-up moment" watching good firms fail following strategic missteps that mirror their leaders' approach to management. Because successful partners and groups will have choices, they will be carefully assessing possible acquiring firms. Firms able to engage candidates in an organized, thoughtfully planned hiring process and to describe a fully articulated integration strategy will have a competitive advantage—both in drawing top candidates and making certain acquisitions are as successful as possible.

Firm's hoping to capitalize on market uncertainty to attract lateral partners will have unprecedented opportunities. Successful partners in some of the most prestigious firms in the country may be considering a move today that only a year or two ago would have seemed unfathomable. This market creates both opportunities and challenges—and the firms with capital and vision find themselves in an advantageous position. A strategic approach to lateral hiring and integration can yield profitable results for firms. In my book, ***Partner and Practice Group Acquisition*** (NALP 2004), I discuss in detail the best practices for developing an effective approach to lateral hiring. These are the foundations to have in place to ensure that the firm finds a good match from both a practice and cultural perspective. Yet, equally important is an effective plan for integration. It is once the partner is hired or the practice group arrives that the real work of the acquisition sets in.

Effective integration strategies cement the value of the firm's significant investment in lateral talent. Many firms do not invest in the integration phase as fully as they should and disappointments result—both for the firm that expected great things from the new partner and from the partner who envisioned a solid platform for his/her practice.

Effective integration strategies have three phases:

- Pre-integration
- On-boarding
- Sustaining and maximizing

Pre-Integration Phase

The best integration plans begin before the individual is hired. If effective hiring practices were followed, there was thorough due diligence, careful examination of the partners'/groups' practice, and inclusion of the lawyers whose blessing will be needed for the new person's or group's success. Additional keys to accomplishing the pre-integration phase include setting expectations, identifying fit factors, and ensuring buy-in. Because firms are so different, setting appropriate expectations is critical to a good match. Many partners grow up in one firm and understand only what is valued there. They model the behaviors of their more senior lawyers, focus efforts on what is rewarded at compensation time at that firm, and define excellence and success as their fellow partners do. It may surprise those who have never worked outside their own firm to learn how much these three areas of learning can differ from firm to firm. There are obvious differences that partners and hiring firms discuss, such as moving from a lockstep compensation system to a variable one or from a partnership solely comprised of shareholders to one that includes non- or partial-equity members. Generally, firms do not think to discuss more nuanced aspects of the differences between the hiring firm and the candidate's current employer. These aspects can include the level of civility and respectfulness that characterizes the way firm lawyers and staff interact, the extent to which effective performance management and mentoring are valued and rewarded, the way decisions are made (e.g, directives from leadership vs. consensus-driven models and everything in between), what constitutes "rainmaking", and the extent to which the associate population is viewed as a primary source of new partners. These are only a sampling of the nuanced differences among firms, but they highlight how easily a new partner could be marked as "different" or as an "outlier" in the way he or she behaves, further isolating that individual from the mainstream culture of his/her new firm.

Those involved in lateral hiring should develop clear ways of describing some of the key aspects of the firm's culture that can help candidates both assess the match and adapt to those conditions more quickly upon arrival. It can be helpful to initiate a discussion with the candidate to learn his/her views of the cultural mores of his/her current employer, as well, in order to assess the presence of highly ingrained beliefs or behaviors that are in or out of alignment with those of your firm.

On-Boarding Phase

Before a new partner or group arrives, there should be a team in place to assist in a smooth transition. Supports for bringing the partners' business plan in alignment with that of the firm and his/her practice group should begin before arrival. The firm's marketing arm should stand ready to assist in smoothing client transitions and publicizing the arrival effectively. Human resources and legal personnel professionals and information technology administrators should be planning effective arrival strategies to ensure that the partner or group can seamlessly pick up work where they left off the day the exited their former firm. Support staff, technology, and sufficient associates should be in place to ensure that quality work gets done and clients are satisfied. The firm's financial officers should be speaking with the appropriate finance officers at the new partners' clients to ensure that any billing concerns are addressed.

Within the first month, firm and practice leaders should collaborate with the partner or group to devise a plan to visit each new client to the firm and have a face-to-face conversation about how the client's needs can be met. Each of those meetings should be carefully planned so that the firm is prepared to present each client with information about the new firm that is tailored to reflect the client's prospective needs and interests. New partners/groups should be shepherded on a tour of the firm's offices to begin building relationships and to ensure that any potential cross-selling opportunities are identified.

Sustaining & Maximizing Phase

The new partner's or group's needs do not end after on-boarding is accomplished. It generally takes 18 to 24 months for a new practice to fully assimilate into a new firm and can take longer depending on the health of the market and level of acceptance of the hiring firm's members. It should be the practice leader's responsibility to monitor and support the new partner or group. He or she should be held accountable for their performance and should be meeting with the new partner monthly to assess progress and identify and resolve any obstacles. Partners who move their practices often do well in the beginning, but then find they hit a few bumps in the road as existing matters are resolved or deals close. Those laterals who depended on others to supplement the flow of business may not have accurately predicted the extent to which their level of activity was influenced by referred business. Practice leaders and other partners in the new firm should be watching and planning for this in advance of it having a negative impact on the practice and morale. There should be active planning on the new partner's part, but also active network facilitation on the part of firm leaders to ensure that the new partner has the connections and relationships he/she needs to keep work flowing. Over time, practice leaders should meet quarterly with lateral partners and groups to track performance, client retention and expansion, and in-firm referrals to assess the health of the practice.

In 2009 and beyond, lateral acquisition of partners and groups will continue to be an important part of many firm's growth strategies. Planning effective hiring and integration practices will ensure that the firm's significant investments of time and money are protected, and ultimately maximized.

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