

# The Fastest Path to Market Share: Why Law Firm CMOs Need A Seat at the Lateral Hiring Table

March 27<sup>th</sup>, 2024

A majority of attorneys and law firm leaders say business development is set to get tougher, according to a survey by [BTI Consulting](#).

Yet many of these firms are making it harder on themselves: [The Legal Marketing Association](#) reports that in four out of five law firms, the marketing team is not involved in the hiring process.

Here's why this is a critical mistake: The marketing team is responsible for growing firm revenue and expanding the influence of incoming talent. By sidelining these professionals, law firms are neglecting the primary and fastest tool for driving new business and building market share.

Indeed, let's consider the numbers:

- For RFPs and proposals, [BTI Consulting](#) measures the post-pandemic win rate at 26 percent—or just about one in four. (And this is when you are invited to pitch—you've at least made a short list already. Organic growth through brand-building can take years.)
- For lateral hiring, lateral partner candidates screened by Decipher Investigative Intelligence in 2023 claimed an average client portability rate of 57 percent—or better than half.

To be clear, that's the portable business that lateral candidates claim they can bring—not what actually manifests. But even when adjusted, actual lateral portability is closer to around 35 percent, or about one in three. It's a significantly higher upside, and considering the amount of marketing, pricing and timekeeper resources that go into laborious RFP responses, it can provide significantly higher ROI.

**To put it simply, why scramble to compete for work when you could buy the books of business you want?**

In 2024, the most competitive law firms will take their fight for market share straight to the talent battlefield. Here are the trends we will be watching:

**“Moneyball” comes to legal marketing.** As law firm business models become increasingly sophisticated, leading law firms will elevate their Marketing executives from brand stewards to true revenue catalysts. When this is incorporated into how law firm CMOs and CBDOs are evaluated and incentivized, more marketing leaders will recognize the faster and stronger returns that are possible with data-driven talent strategies. (After all, no law firm can pay the rent—or the partners—with social media mentions.)

**The end of the Talent and Marketing siloes.** Smart law firms are making the most of their investments in business professionals by removing barriers between administrative functions. When Talent and Marketing have open channels of communication, the rates of “random acts of hiring” go way down—and the number of strategic hires go up.

**Cross-selling evolves to include specific lateral recruitment.** In a January 2024 survey by Intapp, 64 percent of law firms said cross-selling to existing clients was their No. 1 growth priority. At Decipher, we are seeing law firms get proactive with lateral hiring in a number of ways; chief among them is to look at existing clients, see who handles their work outside the firm, and develop short lists of prospective partners.

**New data-driven approaches to legal talent.** In addition to using client, industry and practice data to source potential lateral candidates, leading law firms are using data to better evaluate the candidates in their pipelines. Specific to the fight for market share, Decipher has helped firms benchmark potential candidates’ client portability rate and assess their overall books of business. When law firms can predict how much (and which clients) of a claimed book will actually come, they are better positioned to manage risk and set realistic compensation.

# How to Orchestrate a Profitable Growth Strategy

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At this fall's Decipher Talent Economics Roundtable, hosted by Baker McKenzie in Chicago, one consensus theme emerged from our discussions: **Investing in people is crucial for law firm growth**. While we explored challenges such as realization rates, rate increases, and the impact of AI, the resounding message was that prioritizing employee development and fostering a nurturing environment are essential for success.

Simply put, your law firm needs lateral hires — and those new lawyers need to be supported and integrated into the overall growth strategy — to generate more profit.

Even more simply put, as Decipher Investigative Intelligence's Julie Henson said, doing her best to channel Alec Baldwin's character in "Glengarry Glen Ross"... **Always be hiring**.

But lateral hiring is just one part in the symphony of growth. These new players need to weave seamlessly into the team, and everyone needs to read off the same sheet of music to create harmony.

This year's DTER speakers and attendees — from C-suite executives, recruiting directors, operations directors, data experts, and other law firm leaders — represented the nexus of the practice, the business, and the profitability of law. They shared tips and anecdotes on creating a clearly defined strategy for growth that's shared throughout the team, how to root the strategy in data, and follow through by shifting and pivoting the strategy when needed based on new data.

## Why lateral hiring creates sustainable growth

Let's start with why lateral hiring is crucial to sustainable growth. While other levers of profitability such as rate increases and improved realization can be pulled, their impact is limited. Human capital (lateral hiring) is the one thing that can be scaled up. Hiring isn't the only pathway to growth, but it creates a multiplier effect when integrated with other strategies. Consider this hypothetical example shared at DTER by Tripp O'Connor, CFO of Alston & Bird.

In 2023, a law firm brings in \$500 million in revenue. The next year, the firm increases its attorney headcount by 3% — that's only three new lawyers per every 100 already in the firm. These lateral moves alone create **\$15 million** more revenue for 2024: That's 3% growth already.

Now consider how even a modest increase in headcount can further impact the bottom line when other modest revenue strategies are implemented.

- **Incremental billable time and productivity:** Is your law firm a ghost town on Fridays? What if you could incentivize partners to bill just one more hour per week. Conservatively estimating, 40 more hours a year for 100 attorneys at \$800 an hour would bring in \$3.2 million.
- **Generative AI:** As generative AI use increases, revenue stands to decline if efficiency results in fewer billed hours. Instead, think of gen AI as a lever to justify increased billing rates that will keep revenue flowing even if billable hours per matter or per client drop.

- **Rate and realization increases:** William Josten, Director of Pricing & Legal Project Management at Thomson Reuters, shared profitability data at DTER that highlighted a trend in increasing rates but declining realization. Surprisingly, data indicates law firms have leverage in continuing to raise rates if they hold firm on collections. Using conservative targets, this firm raises rates by 7% and increases realization year-over-year by just 1%.

What happens next?

- 3% increase in attorneys as part of growth strategy: **\$15 million**
- 3% higher productivity through incremental time increases: **\$15 million**
- 7% rate increase, justified in part through value of Gen AI: **\$35 million**
- 1% increase in realization, as part of push to validate higher rates: **\$5 million**
- 2024 revenue: **\$570 million, up \$70 million (a 14% increase)**

While firms can certainly work to increase hours, realization, and rates, real sustained growth is only possible with increased investment in people. While in this example only 21% of the firm's annual growth was directly attributable to lateral hiring, scale played a role in the remaining growth as well: law firms can't just raise their rates in a vacuum. With more scale, there's less resistance when pulling on the levers of realization and rate increases to achieve growth.

## But where should we grow?

Julie Henson, Decipher's Chief Growth Officer, and Greg Hamman, Decipher's Chief Data Officer, discussed how to build your growth plan. Start with your competitors. Identify how they are growing and where they are applying resources. Are their hires successful? In what markets and in which practice areas are they targeting? Don't assume that your firm needs to move into a market just because other firms are. To do this, you need accurate data, and a partner who understands how to collect, analyze and quantify it.

When considering the markets and practice areas in which growth makes sense for your firm, understand there are nuances and fundamental differences in the talent pool: For example, the average number of portable clients, years of experience, and hourly billing rate of lateral candidates can wildly vary across different markets and practice areas. Decipher analyzes each talent pool, allowing clients to compare markets across different data points and drive decisions on where your firm could most successfully grow.

Also, firms should leverage data insights on client portability and specialization. Decipher goes beyond tracking lateral partner moves to analyze client relationships, revealing which firms (and partners) are capturing outsourced work in specific markets. This intelligence is crucial for informed decision-making. For example, if your firm is considering expansion into Miami but discovers below-average client portability rates, you can explore alternative markets with greater potential or adjust your expectations for laterals in Miami.

Furthermore, Decipher provides granular data on practice area specialization within each market. For instance, if your firm aims to expand its transactional work, analyzing "finance" partners alone may not be sufficient. Decipher uncovers the nuances of practice area focus, showing which finance partners in specific markets are handling more transactional work. This level of detail empowers your firm to make targeted investments in the right talent and optimize growth strategies according to relevant talent pools.

## Putting the strategy into action

With the data in hand, it's time for the operations team to share this information with law firm leadership to get attorneys across the assumption line on where to grow. Attorneys may have concrete opinions that are not rooted in the reality of data: For example, do you have a managing partner who thinks you need to hire a finance associate in Miami because they know someone about to graduate from law school? Push back, gently and firmly, and let the data make your case.

Once the strategy is informed by data, establish realistic benchmarks and track your progress. Just as data guides your hiring plan, it should also be used to continuously evaluate your growth strategy's effectiveness.

Most importantly, the strategy should be transparent and communicated effectively throughout the firm. If the thinking behind adding finance partners isn't shared with the relevant team, it will be challenging to integrate lateral partners and support them to help meet the practice's goals. Similarly, the business development team needs to be aligned with the growth strategy to effectively support lateral hires in attracting clients and developing new business opportunities. When the entire firm understands the strategy and its rationale based on the underlying data, you can leverage collective knowledge and ensure firm-wide collaboration in achieving desired outcomes.

This year's DTER concluded with a roundtable discussion that gave our attendees an inside look into real-world growth strategies in action. Kristina Gajewicz, Director of Recruitment at Baker McKenzie; Susan Hollender, Chief Growth Officer at Michael Best; and Angela Floessel, Global Director of Strategic Pricing and Project Management at Morrison Foerster, shared what they've learned in supporting lateral hires, team lift-outs, and firm mergers.