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## IF LAWYERS ARE EXPERTS ON OTHER LAWYERS, WHY DO THEY FAIL SO OFTEN AT PICKING LATERALS?

By Eric Dewey, MBA

Lateral hiring performance in large law firms have achieved mixed results, at best.

The ALM/GDC study, *Surmounting the Lateral Partner Hiring Challenge*, found that only 28% of lateral partner moves brought 100% of the clients expected to the new firm. But *one third brought less than 50% and nearly 20% of the laterals brought no clients*. These results, the report estimated, shaved as much as six percentage points off the average AmLaw firm's profits.

If lawyers are experts on other lawyers, why do they fail so often at picking lawyers who actually bring clients to the firm?

The answers are numerous. But, the lateral partner challenge is, essentially, a vetting challenge. And yet few law firms take a strategic, data driven approach to vetting and hiring laterals. They generally do not collect the objective data to project and assess lateral performance and, instead, leave the selection process to intuition.

There is a more reliable approach. Two recommendations, in particular, will improve the lateral selection process: developing lateral scorecards and conducting independent client book due diligence.

The first initiative involves designing a lateral candidate scorecard. The scorecard provides law firm leaders with a comprehensive framework that translates the firm's strategic growth objectives into a coherent set of selection criteria and performance measures. Much more than a measurement exercise, the lateral scorecard memorializes the business case for making the hire. It also captures the attributes of top performing laterals to assist in evaluating current prospects. The lateral scorecard serves as an objective, data driven acquisition management system that can help to ensure each candidate's fit in terms of their client mix, practice, financial performance and personality. Used consistently, lateral scorecard data can offer significant insights to improve selection, integration and client book acquisition.

The second recommendation involves estimating the portability of a candidate's clients. The results of the GDC/ALM study indicated wide variation in performance results - a strong indicator that current due diligence methods in firms are not working. With investments in top candidates well in excess of seven figures, firms should insist on a more accurate estimate of the client potential than the estimates provided by the candidates.

What's more, the intensifying competitive pressures facing private law firms will not only increase the number of laterals in play (as we've seen with an 8% CAGR in lateral movement since 2010) but will focus lateral acquisition strategy on finding the hidden gems in the growing pool of candidates. The smartest players will forego competing for the very best lawyers (and the exorbitant costs to acquire them) to



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searching out the undervalued candidates - laterals with lower acquisition costs and the stickiest client relationships.

An accurate assessment of the candidate's client book can be accomplished through interviews with the candidate (clients should not be contacted) and can identify the markers of client movement. The process should include an assessment of the candidate's top client relationships and evaluate each client on several categories of factors that influence the client's decision to move to the new firm. Simply, the process tests the rationale that candidates give for why their clients will move. By digging deeply into these factors and understanding the true nature of the candidate's relationships with their clients, client book due diligence provides an objective perspective that enables law firm leaders to make informed hire decisions.

The client due diligence process is an invaluable tool to gain an objective view of the portability of a candidate's clients. It serves as a basis for developing the candidate's business plan as well as the firm's integration plan. A client book due diligence report helps establish realistic expectations of the candidate's likely performance in the new firm and can be an important tool in negotiating the candidate's compensation or in winning partnership approval. Simply agreeing to due diligence of the client book tends to show a high level of commitment by the candidate to making a move.

Some factors cannot be known that influence a client company's decision to move. But the depth of information gathered in the lateral scorecard and through the client book due diligence process helps set realistic expectations, informs the integration efforts, and gives the partnership a better understanding of the rationale for making the offer. Most importantly, a data driven approach to lateral hiring will enable firms to improve their success rate in an increasingly important growth strategy.

About the Author: Eric Dewey is managing principal of Group Dewey Consulting. He focuses his practice on business development coaching and training, strategic planning and lateral growth strategy advice. He is co-author along with ALM Legal Intelligence of the seminal report on lateral partner hiring performance entitled, *Surmounting the Lateral Partner Hiring Challenge, Lessons Learned, Best Practices and Tools for Success*. He is the exclusive provider of marketing and business development training and coaching services on Quimbee.com. He can be reached at [eric@groupdewey.com](mailto:eric@groupdewey.com).

