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LATERAL PARTNER INTEGRATION: GETTING ONE PLUS ONE TO EQUAL THREE

by

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Lateral Partner Integration: Getting One Plus One to Equal Three

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Much has been written in recent months concerning the relatively poor results reported by firms in their lateral hiring efforts. A report produced by Lexis-Nexis and ALM Legal Intelligence found that, while three-quarters of the respondents expected lateral hiring of partners to increase over the next five years, only 28 percent found that such efforts were a “very effective” strategy for growth.¹

A separate study conducted by the Citi Private Bank Law Firm consulting unit of law firm managing partners found that the success rate for recent laterals was pegged at 60 percent at best. And that number has been questioned by one observer, wondering if the survey took into account both the overall direct and indirect expenses of hiring laterals, pegged at \$600,000 or more per lateral.²

Many factors have been cited as leading to the mixed results of these efforts. Among them are:

¹ “Study: Lateral Hiring Push Will Continue Despite Uncertainty About Its Impact,” *AmLaw Daily* (October 16, 2012).

<http://www.law.com/jsp/law/article.jsp?germane=1202575884133&id=1202575195242>.

² “The Culture of Contradictions,” *Am Law Daily* (January 18, 2013).

http://www.americanlawyer.com/PubArticleALD.jsp?id=1202585007880&The_Culture_of_Contradictions

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- Failure by some firms to be strategic about lateral hiring efforts, with decisions often based on a practice area being “hot,” or because other firms are doing it. In addition, many firms react almost exclusively to targets of opportunity—laterals seeking entry into a new firm—who are either referred by existing partners or presented by recruiters. As a result, firms are apt to bring in new partners with practices that are not aligned with the strategic vision of the firm.
- Failure by many firms to properly handle the due diligence process, particularly relating to projections of business that the lateral may bring to the new firm, but also relating to issues of quality, long-term potential, and cultural fit.

But a key factor in explaining the mixed performance of laterals has been the failure by many firms to institute and then carry out a comprehensive lateral integration program. While most firms have at least some integration program

on the books, what has been lacking has been the execution. In an article earlier this year in *The American Lawyer*, Amy Kolz hit the nail on the head:

Firms may be coming up with better procedures for each step of the lateral hiring process, but they often fall short when it comes to implementing them. Due diligence can be rushed or left incomplete; lofty integration plans might be forgotten or shoved aside after a new partner's first weeks.³

And, in the lateral partner integration game, execution is the key. Programs that have a limited focus on the first few days of the lateral's transition, deal primarily with administrative issues, and are process heavy will fall short of ultimate success. They leave too much to chance in transferring the new lateral partner's (NLP's) existing business and may leave that partner feeling stressed, ignored, and wondering what happened to all the recruiting promises she heard.

Integration programs should have two main goals: to assist the NLP in bringing over all of the business she originally forecast (or as much of it as possible) and to incorporate the new partner into the fabric of the firm administratively, culturally, and in long-term business production.

Six Considerations in Best Practices for Lateral Integration

We have found a group of best practices that seem to lead to greater success in

³ Amy Kolz, “Building a Better Lateral,” *The American Lawyer* (February 1, 2013). http://www.americanlawyer.com/PubArticleTAL.jsp?id=1202585325012&Building_a_Better_Lateral#ixzz2YZ6hdl91

the long term. These six practices are critical, regardless of the size of the firm:

1. The integration program starts during the recruiting and interviewing stages and is aligned with the overall strategic plan of the firm.
2. The program takes a long view of the integration process but sets benchmarks and checkpoints throughout the process.
3. It utilizes due diligence documents with an eye toward long-term client development.
4. It involves a cross section of individuals throughout the firm who are active in the process early and continuously.
5. It has deep buy-in from the management team and has the support and participation of partners throughout the firm.
6. It is supported by data so that results can be easily measured, and that data is transparent for both management and the laterals themselves.

The One + One = Three Model

As noted earlier, lateral recruitment at many firms often boils down to targets of opportunity. A partner with a substantial book of business is presented to the firm; and, depending on just how big those numbers are in relation to the rest of the firm, the chase is on. While this might seem like found money, the truth is, if the partner's business creates a silo, neither the firm nor the lateral will truly benefit in the long run.

Instead, firms should keep the strategic plan and direction of the firm in mind when reviewing potential new partners.

Laterals themselves are better served by this approach. In any lateral acquisition, the first question for both sides should be: How will the combination of what the firm is already doing and what the new partner is already doing result in more business than either entity currently has separately? The forecasted whole has to be more than the sum of the parts, or it's a break-even proposition at best. By carefully aligning recruiting strategy to the current strengths of the firm, and adding on practices that are tangential or allow robust cross-selling opportunities, the firm gives the NLP a better chance of bringing the clients he has and of benefitting from new colleagues and connections that can help him develop further business.

As a result, the first step in the integration process has to start in the recruitment phase. Not only does that call for a more judicious look at the proposed practice area, but it also means a more mindful scrutiny of the NLP's due diligence forms. The exercise has to extend beyond the conflicts and likelihood of business transfer, moving into an analysis of key strategic issues around clients, relationships, history, and future offerings. This is the place where business plans should be jointly vetted and agreed upon, milestones and benchmarks set, and timetables agreed to.

Best practices in this area include the development of a written individual business plan that is prepared in concert—with strong firm participation—for the NLP's first year, at a minimum. It should identify not only the business the NLP believes will follow him or her but also additional business opportunities the firm believes can be captured because of the NLP's expertise. Both parties should agree to the

reasonableness of the plan and discuss flexibility and options before completing a final agreement. Finally, this document serves as a bridge and a roadmap that can be revisited regularly to assess action on the mutual promises made during the recruitment phase.

Taking the Long View

Successful programs require the sustained participation and coordination of groups across the firm and have internally and externally focused components.

Most firms produce a flurry of activity around a new partner's arrival, but that excitement diminishes quickly. After a round of formal receptions and a few lunches, it's back to business as usual, leaving the NLP to figure things out on her own. Firm management keep their fingers crossed and hope the business promised will follow quickly.

Best practices, however, dictate 18 months to two years as the realistic length of time it takes to truly integrate an NLP into the firm. Here, the definition of integration is not limited to the transfer of the NLP's business but includes being able to function as part of the fabric of the firm. Management and executive committee members, practice groups, administration, marketing, and business development all have roles to play in this regard. And, as we've said, those roles can't all be shoved into the NLP's first two weeks on the job if you expect anything like success.

At the firm management level, this means not only giving the NLP some time to develop but also requiring firm management to be prepared to be ambassadors and emissaries for

integration. Executive teams need to think of the integration program as protecting the firm's recruiting investment. One of the most important things they can do is to send a top-down message that integration is important and needs to be sustained. It also requires firm management to commit to meaningful, periodic meetings with NLPs regarding progress that reference benchmarks and relevant statistical data.

Coordinating and sustaining this kind of effort within an organization as complex and dynamic as a big law firm is no easy feat, and likely it's why integration plans fall short so often. The most successful firms assign the expediter role to one individual. That varies from firm to firm. For some, the responsibility rests with the head of marketing or business development, for others it is assigned to the head of professional development, and for some smaller firms the Executive Director has responsibility. In any event, there is a clear directive from the top as to where the responsibility lies.

In turn, the best programs identify a specific individual who is responsible for each individual NLP and tracks with them during the process—up to two years out. Here again, exactly who is tapped to do this varies by firm. At some firms, members of the lateral partner recruiting committee do this, but for others someone from the marketing or business development department fills this role. One firm that has gone this route is Mintz Levin, which has been refining its integration program over the past two years or so. Carolyn Manning, Senior Business Development Manager at the firm, told us, "What makes our integration program unique is our customized road show by office. Each lateral has a business development manager glued to his or her hip, and we

accompany each lateral as they visit our various offices.” The focus, she told us, is two-pronged: to educate the new lateral on the various firm capabilities and clients and to help create new client introductions for both current and new partners. “Once the dots are connected, the BDM facilitates the client follow-up and tracks progress to hold everyone accountable,” she added.

Day One—and Beyond

Every new lateral’s nightmare is the same—showing up on Day One to find an empty office. OK, maybe not totally empty—there are a desk and a phone—but no files, no cell phone, no idea how to get into the existing systems, and no way to contact his clients. The truth is usually a bit better; but if there are still gaps like unobvious codes to open matters, make copies, and log onto the computer system, or delays in getting business cards or stationery—then your system needs serious repair.

Erring on the other side is just as daunting. Firms who hand the NLP a 3-inch binder full of all the necessary information while remarking “Let me know if you have any questions,” or sitting the NLP down in a conference room for two weeks of orientation, are also missing the mark. The trick is giving the NLP the necessary information on an as-needed basis so he isn’t faced with drinking from the proverbial fire hose.

The most successful programs work with the NLP to have things in place and ready on Day One. Catherine Alman MacDonagh, JD, co-founder and CEO of the Legal Lean Sigma Institute, recently handled a process-improvement consulting project for a multi-office AmLaw 100 law firm. That team applied

process improvement methodologies to help the firm revamp its lateral partner on-boarding and integration program. “Our goal was to have every lateral up and running on Day One,” she says, “meaning that the lateral is able to do and deliver work, especially to transitioned clients.” The firm instituted a “pre-boarding” process that, among other solutions, employed the use of the firm’s extranet protocol to do as much of the upfront work as possible before the NLP even shows up. In some ways, she says, “It’s like pre-boarding processes that some airlines use to make plane departures more efficient.”

Another aspect of successful programs is the ability to provide training on an as-needed basis for administrative issues and to assist the partner in bringing over files and clients or in opening matters. Jennifer Queen of McKenna Long, a firm noted for its innovative lateral partner integration program, started surveying attendees from its lateral partner orientation. “If you listen to what the lateral’s needs are and react to those,” she told us, “that helps you integrate the NLP more effectively.” What the firm learned through these new partner orientations is that “the new partner wants to know how to navigate the system, including how matter management and business development are handled, and how to quickly access resources to support client needs.”

A critical step is the involvement of marketing and business development, not just for press releases but also for resource planning and opportunity development that can lead to additional business. We found few firms who actually tracked the source of NLPs’ business and fewer still that compared the NLPs’ original lateral partner questionnaire or business plan to

actuals. While firms may have a sense of the work that transferred in collectable dollars, they are less clear about which particular clients or matters were at risk, or if there was anything that could be done to aid the NLP in solidifying an unresolved relationship.

Firms that involve their marketing departments deeply in the integration process are more successful in addressing such issues. At Mintz Levin, says Manning, the firm's Chief Marketing Officer meets with all lateral candidates during the interview process to help anticipate any issues with transferring projected business and to help plan cross-marketing efforts and integration. As a general rule, firms that involve their marketing and business development teams in the integration process tend to be more successful in making sure the NLP gets access—on a repeated basis—to existing partners who have a potential for cross-selling. More important, they make sure the objective of such meetings goes beyond the social aspects and focuses on mutual client development.

Queen says that McKenna, Long uses information gleaned from the due diligence phase and mutually prepared business plan to map out which partners the NLP most needs to meet. In this way, the firm can set up in advance what issues need to be covered in order to have the most productive business development conversations possible.

Successful programs also pay special attention to cultural integration. Whether the assigned party is called a mentor, a buddy, or an ambassador, someone is on hand to help the NLP learn the nuances of the firm. The focus of the effort is to make it easier for the NLP to navigate on a daily basis. Some small firms arrange spouse meetings, some firms send gift

baskets to the NLP and spouse, but the consensus was that the message must be: "We're glad you're here; you are an important part of us."

The Watchword is *Flexibility*

One thing we heard loud and clear is the need for flexibility and responsiveness to the requirements or circumstances of the NLP. For example, Queen notes that laterals who come to her firm while they are in the midst of a critical case or client emergency may not get the same level of orientation in their first few weeks. It doesn't mean that they don't need the same information from orientation as other laterals, or that the process should be jettisoned. Instead, the firm will have to work with these laterals to apportion their time responsively.

Similarly, MacDonagh says that requiring all aspects of initial orientation to occur in the first few weeks of a lateral's arrival, without prioritizing what she needs to get up and running, might be forcing her to drink from a fire hose. As a result, she said, her client "had to determine which elements of training are mandatory early, while others could be fit in further down the line."

Benchmarks, Milestones, and Data Review

In the end, the only way to know if the program or the new lateral is succeeding is by collecting and reviewing data. Benchmarks and milestones agreed upon during the negotiation phase have to be monitored through the first year and into the second. This monitoring requires periodic meetings to identify any challenges and planned strategies to mitigate them. Data tracking and

analysis on matters opened, hours, cross-selling success, and even participation in pitches can provide meaningful insight for individual partners and the integration program itself. Whatever system is employed to collect this data, it must be transparent to the NLP as well as to firm management and the integration program administrator.

Unfortunately, it seems few firms are really following up on these benchmarks. At a recent roundtable of legal recruitment professionals, many participants admitted that conducting full-scale assessments of how lateral recruits were performing (particularly as a whole) is something that often falls through the cracks due to a shortage of resources.

The issue with data collection and analysis isn't really one of availability of raw data. Most big law firms collect information on matters by client: who opened the matter, time billed, and various other factors. Collating this information and applying it to each NLP, making it easily available to those with a need to know, and keeping marketing and management abreast of progress are the steps that are lacking.

One firm we spoke with created a *dashboard*—a one-stop data shop—replete with all the necessary information that could be easily called up by those with a need to know. Best practices in this area incorporate this data into the periodic reviews with the NLP, management, marketing, and other essential parties.

Results

While it's still too early in the game to claim total victory, early results for the



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firms that have moved to these models are hopeful, and some are impressive.

McKenna reports that it has cut in half the length of time it takes NLPs to report billable hours. In addition, the average time to open matters on the transferred clients went from over 30 days to less than half that time. Mintz Levin has seen a marked increase in cross selling within

the first three months of the NLP's start date.

A smaller firm that implemented its first structured integration plan saw a 100 percent success rate. All of the NLPs it hired brought with them all of the business they claimed, went on to grow their practices beyond that level on the new platform, and have remained with the firm over time.

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