

Lateral Hire Pitfalls: Know Who You Are Really Hiring

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Law firms grow in three major ways: 1) hiring new law school graduates, 2) lateral hires and 3) through mergers and acquisitions. In recent years, firms have shown a clear favoritism to growth through lateral hires either on a single attorney basis, or as a group of attorneys. Stats from Decipher, a firm specializing in deep-dive vetting of lateral partner hires, show that 96% of Managing Partners believe that lateral hiring is their most effective growth strategy. Further, statistics show that roughly 25% of all AmLaw 100 partners are laterals, and that 17% of AmLaw 100 partners move each year. Lateral hires are attractive as they are usually experienced attorneys who require little or no training. A lateral can also be a source of new clients as well as provide the firm with an area of practice that they did not have before. However, lateral hiring also has its challenges. Firms often hire laterals with the candidate's promise of a certain amount of existing and portable business. However, stats show that 75% of lateral hires bring in less than half of their promised book of business. And in the end, statistics show that 50% of lateral hires fail within five years.

A serious danger with lateral hires involve conflicts, actual or perceived, that they may bring with them to the new firm. Firms need to use a fine-tooth comb when vetting potential conflicts, as well as ascertaining if prospective clients will welcome that attorney's transition to the new firm. Not only does the work the attorney brings in need to be assimilated into the new firm, but the attorney himself needs to blend in as well. Maintaining the firm's culture and traditions is very important to most law firms as disruption of a firm's core personality can often lead to disaster. As you know, attorneys are trained to be contentious, so getting all your new as well as existing partners to play nice in the firm sandbox can often be a much more difficult task than anticipated.

Historically, a majority of law firms have been very lax with vetting procedures, and have not vetted candidates with a view to long-term sustainability and suitability. Firms may often feel a rush to hire a lateral as they are excited about the prospect of new business and don't want to miss out on a lateral who wants to move quickly. Rushing to hire a lateral without careful consideration is a mistake that some firms have come to regret. And on the flip side, often lateral partner candidates don't ask even question their potential new firm regarding the firm's finances, firm management, firm hierarchy, performance evaluations and culture. Hence, proper vetting on both sides of the hiring continuum is important for a lateral hire to be a success.

About the Author

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