

The changing landscape for lateral partner moves

Melinda Wallman examines lateral hiring trends

LONDON SEES INCREASED HIRING AND GROWTH

Overall, research shows that there has been an increase in partner hiring in the London market during the last year (May 2013-April 2014), compared with 2012-13. Data compiled by Legal Moves and Major, Lindsey & Africa finds that London's lateral partner hiring increased by 12% during that time. There were 426 lateral partner moves last year, compared with 373 the year before. These statistics cover all types of law firms in London: UK global, regional, small City and some non-City firms, boutiques, US firms, other foreign firms, hybrid firms and a new category: alternative business structure (ABS) firms.

While this contrasts with data published in the June issue of *Legal Business* (see *The Product*, page 46), which looked at global statistics for selected top-50 UK firms and showed a 22% year-on-year decline in lateral partner hires, the augmented moves in London are still positive. Practice area activity also reflected the renewed sense of confidence in the economy, with a shift from disputes back to the transactional practices, together with increased hiring in all real estate-related areas.

BOUTIQUES & ABS FIRMS ON THE RISE

London continued to see the emergence and growth of boutique firms, with 24 partners moving to boutiques last year, many with a disputes focus. The highlight was the establishment of global arbitration boutique Three Crowns, with partners from Freshfields Bruckhaus Deringer, Covington & Burling, Jones Day and Shearman & Sterling.

There has been an increase in moves to firms with an ABS licence, mostly by partners from regional firms. We also saw increased movement between law firms and the Bar.

INCREASED FOCUS ON GENDER DIVERSITY

The 2013/14 financial year saw a rise in female lateral partner moves. These represented 25% of last year's moves, a 51% increase from 2012/13 (109 moves versus 72 moves). This does not necessarily represent the rise of the female rainmaker, rather the improvement in the economy, as many of these moves were in ancillary practices such as IP, IT/TMT and commercial, as well as in employment, real estate and construction, where women are usually well represented compared with other areas.

CULTURE IS KEY AND FIRMS ARE CATCHING ON

MLA's 2014 Lateral Partner Satisfaction Survey released in March, finds that firm culture is

the primary reason why partners both left their former law firms and chose their new firms. The survey, available on MLA's website (www.mlaglobal.com), is based on responses from 1,200 lateral partners worldwide and determined that partners move laterally for the following reasons:

- 42.2% - the firm's culture
- 32.9% - for money
- 26.2% - the firm's financial health
- 13.5% - to go to a firm with a better geographic footprint
- 10% - due to conflicts

Overall, we found that the respondents were significantly more satisfied with their new firms than those surveyed previously. A critical factor underlying these higher rates of satisfaction was found to be that law firms are doing a better job than ever before of integrating their new partners, both on a business level and culturally. Our surveying has consistently found that integration is the single best predictor of lateral partner satisfaction, with an effective recruitment process forming the start of the integration process. Recruitment morphs into integration and positions a lateral for future success. The more people a lateral partner meets and gets buy-in from on the way in, the smoother the integration will be.

WHAT LIES AHEAD

We think that firms will continue to strengthen their lateral partner hiring programmes this coming year, in response to renewed confidence in the economy. Movement will continue to be fuelled by a segmenting legal market, as well as candidates seeking a better culture. Culture is in many cases a reflection of those changes, as firms and individuals pursue different strategies.

We believe that we will continue to see more women partner moves as law firms focus on lateral partner hiring to meet their diversity targets. If the market here follows the US, we will also see an increase in female rainmakers and female-led team moves in the next decade.

While most firms continue to focus on hiring mid-level and more senior partners, they overlook the rich pool of junior partner talent. Many of the elite firms have started to refocus on junior partners. While junior lateral hires make less of an impact in the short-term, they are important for long-term growth, particularly in the light of law firm demographics after the



global financial crisis. In defiance of the historical expectation that remuneration rises with age, recessionary restructuring has changed the typical law firm shape from a wide to a steep pyramid and there are fewer junior partners to support senior partners. While many firms have adapted their remuneration models away from lockstep to more variable models in response to this change, they are yet to align their lateral partner hiring accordingly.

CONCLUSION

Lateral hiring has become a core part of most major law firms' strategic growth plans. As such, firms must become more focused in their approach, looking not just for a short-term revenue boost, but for sustained medium and long-term growth. This does not mean an end to opportunistic hiring; rather it means that firms need to match opportunism with strategy and to continue to link recruitment with integration. The easiest way to hire a new partner is to show them the success and satisfaction of previous hires.

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