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SOLVING THE LATERAL INTEGRATION PUZZLE

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FROM COURTING TO CROSS-SELLING: SOLVING THE LATERAL INTEGRATION PUZZLE

BY JOCELYN BRUMBAUGH & STUART N. GOODMAN





Law firms have been opening their checkbooks in an unprecedented way of late in an effort to fuel growth through lateral acquisition. It is no longer unheard of to court top talent with up to \$9 million in annual salaries. But without a process for vetting and integrating laterals, firms are watching their investments walk out the door.

An ALM survey reported that 96 percent of managing partners see lateral hiring as a key part of their strategy. As recruiters collect up to 30 percent of base salary, a \$350,000 lateral quickly approaches \$500,000 in hard costs, not to mention firm leaders' billable time lost to a seemingly endless interview process.

With management increasingly looking to laterals for growth, smart firms are taking a hard look at their lateral process — examining their selection criteria, identifying gaps in their integration process and holding their laterals accountable for delivering new business.

Law Firms' Growing Problem

Any way you slice it, the lateral market is on fire. On the law firm merger front, Altman Weil reported that the first half of 2015 saw 48 mergers — the most active period since they started keeping score.

The American Lawyer counted more than 2,736 lateral moves in the AmLaw 200 last year, a 7 percent increase over the previous year, and not far from its all-time high in 2009 in the midst of the financial crisis. But when ALM asked managing partners about their laterals' success rates, only 28 percent say their past laterals have been effective. Put the lateral moves and success-rate stats together, and it is a good bet that 2,000 of last year's big law laterals did not work out.

The reasons for this are twofold: First is the problem with firms' lateral selection process, and the second is how they manage their laterals' first 90 days.



Re-Envisioning the Courting Phase

With so many rounds of interviews with each lateral, management is often loath to add in another layer. But involving the chief marketing and business development officer can be key to assessing a laterals' strengths, cultural fit, the portability of their book of business and potential cross-selling opportunities.

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"Having a single resource bringing together marketing, business development, professional development and other areas is essential," says Rebecca Bradley, director of legal recruiting at Foley & Lardner LLP. "This can help firms stay on top of the lateral pipeline and ensure all departments understand the lateral's practice and how he or she will fit in from a strategic and cultural perspective."

Many firms require laterals to create business development plans during the courting phase. These plans can be particularly critical when a lateral joins from an in-house or government role and may lack the skills to build a book of business. This plan needs to be shared with practice group, industry group and client team leaders, and should be synced up to existing development efforts.

Firms are also taking a critical eye to the pool of laterals they consider.

"We are becoming more strategic in how we grow," Bradley says. "We look to fill any gaps by first identifying what practice areas need to expand in key markets."

Firms looking to identify stand-out laterals and expand in a particular niche often supplement their lateral research with business and competitive intelligence tools such as Manzama, Thomson Monitor Suite and LexisNexis AtVantage, which can help confirm a lateral's book of business.

The Four Barriers to Successful Lateral Integration

Once a lateral says yes, a firm's real work begins. Most firms get hung up on four main barriers to successful lateral integration.

No. 1: Firm messaging is delivered too late

Laterals start calling their clients as soon as they sign the partnership agreement. But are they prepared to effectively and succinctly tout the differentiators, offices and services that make the new firm a good fit for the client? This is particularly important when the lateral is moving from a smaller firm to a bigger platform.

No. 2: No one owns the process

This is an area where law firm department silos can harm the bottom line. With pieces of the process owned by the laterals themselves, as well as the office, practice, conflicts, recruiting, HR, IT, facilities, marketing, business development and communications, it is no wonder the process can get derailed.

No. 3: Lack of awareness internally

Often firms think their communications plan starts and ends with a press release. But the rest of the firm needs to be aware of the new lateral and his or her services before cross-selling can bloom.

No. 4: Laterals are not held accountable for their business development promises

Changing firms is tough, and lawyers are notorious for staying in their comfort zones. Firms need to establish a culture of accountability early with regular meetings to discuss the lateral's business development efforts.

The Solution: Create a Framework for Laterals to Deliver ROI

With the old model, marketing's role in lateral integration was to post a bio on the website and get a press release out the door. In today's firms, marketing needs to drive the entire process. As successful lateral integration involves the orchestration of many moving pieces, savvy firms are developing a framework and process to set laterals up for success. Firms can benefit by keeping in mind the MAX framework: messaging, awareness and execution.

M: Messaging

The first part of the process involves ensuring internal and external messaging is buttoned up, but waiting until the lateral goes through HR orientation is often too late.

A better plan is to include, with the offer letter, a list of key facts and differentiators the lateral can use to advance the conversation about the new firm with their potentially portable clients.

"When you include a document about the firm with the partner agreement package, laterals can begin to speak in the brand of the firm immediately," says Alexis Johnson, business development manager at Latham & Watkins.

The lateral also needs two elevator speeches. A client-facing version should be a quick, crisp overview of the kinds of prob-

lems he or she solves. An internal version is designed to show how the lateral can make existing lawyers the hero in their clients' eyes by anticipating — and solving — a problem.

A: Awareness

A key aspect of the awareness step is creating the cross-selling roadshow plan to get the lateral in front of new colleagues. Take advantage of firm retreats, local office partner meetings, practice group calls and other regular gatherings by getting the lateral on the agenda.

"We make it a priority to connect laterals with key relationship partners and the right client teams," Johnson says. "We may even have a lateral present at meetings on their experience with a particular client to help share insights for future pitches."

Firms are also using their intranet to drive behaviors rather than relegating it to a resource graveyard run by IT. Many are giving their laterals prime real estate on the homepage and using video to help drive connections.

X: Execution

This final step can take up to three months to move through integration and the necessary roadshows, with business development coaching often extending a full 12 months. Many firms are developing checklists — long enough to be inclusive but not so long that they are never opened. These need to include granular elements, such as transferring contacts and ensuring new bio photos are added to LinkedIn, as well as longer-term items such as coaching on nurturing referral sources, techniques for staying top of mind with clients and developing pitching skills.

The most important aspect of this step is holding the lateral accountable. Creating a plan that includes client and internal roadshows, as well as regular calibration meetings with practice leaders, is the best way to accomplish this.

"Each partner, including laterals, creates and receives feedback on an annual business plan that includes what support they need from the firm," says Catherine Zinn, chief client officer at Orrick. "Laterals are also assigned sponsors, who work with practice group leaders to spearhead their integration. Our management committee then meets with sponsors annually to review each lateral's progress and identify ways the firm can further support their success."

And while it is easy to focus solely on acclimating laterals to the new firm's ways, smart firms realize their laterals bring more than just a book of business; they bring fresh approaches to existing processes.

"We're working with our laterals to learn their best practices," says Jennifer Ries-Buntain, managing partner of Hall, Prangle & Schoonveld. "Whether we eventually employ their methods and procedures, our current ones or a hybrid, we know it will make for a better firm."

Conclusion

Re-envisioning a firm's lateral integration process is not easy. With multiple moving parts and a steady stream of laterals coming through the door, firms are often forced to take a treading-water approach to integration instead of creating real change.

But the payoff is real. All signs point to increased lateral and merger activity through the end of 2015 and beyond. In this increasingly competitive marketplace, improving a firm's lateral integration process is a sound strategy.



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