

EXTRACT FROM MASTERCLASS ON LATERAL HIRES – 26th July 2006 for Managing Partner Magazine

I am one of the few dinosaurs left in my line of business still working at the coalface, so I am well placed to see how recruitment has evolved with law firms over the last 20 years or so. What hasn't changed, though, is that a firm's greatest asset is its people – without the people, there are no clients, without the clients there is no law firm or legal recruiters.

In this age of globalisation and growth firms can't rely on organic growth alone to achieve their ambitions – they need to bring in laterals, and this is where people like me come into the picture.

From our perspective we have two clients – the firms and the partner candidates we act for (whom we need to satisfy for repeat instructions and recommendations). We sit in the middle and try to match them up as best we can. We have a dual obligation, to firms and others, and to keep the balance well-oiled, we need to be involved at both ends, in the middle and in between. As such, we handle the ebb and flow of emotions, the wonderful unpredictability that defines human beings. It can be difficult: people do not say what they mean, not mean what they say, not know what they want, think they know what they want but don't and sometimes, more worryingly, there is no thought involved at all!

If firms have dedicated 'people persons', or strategic heads of HR, then the chances are we get presented with a decent brief as to what the firm is after, and why. The tricky bits are the following: drilling down as to why the firm thinks it is more likely to attract the people it wants as opposed to its competitors; managing the firm's expectations as to whether they are likely to get what they want, and if not, what the alternative might be.

Dealing with the first of those – how to attract the lateral you want. Here we come to the issue of USP – How to demarcate yourself from the competition – most of the firms have been through some serious navel gazing anyway, few haven't been 'Hildebrandted' already in an effort to jostle for best market positioning. Still, it's not that easy.

In away, I seem to have morphed into a quasi strategy consultant: eg. if we feel that a firm is going to find it difficult to build a debt lending practice, we might explore the idea of building a corporate-led borrower practice instead. If we feel a merger is something to consider, we explore it – in this way, we brokered the Pinsent Mason deal: Masons were finding it difficult to move away from their Construction firm mantle – recruiting anything other than construction lawyers was proving to be a problem – in fact, they had tried to reposition themselves as the law firm to go to for the Construction Industry as a whole, which included all areas of practice – but perception proved too strong. So they merged and I am told they are pleased with the outcome.

The recruitment market has been fluid for years, and partners have moved around enough to have a sophisticated, not to say cynical, view of the legal market. Which means they will see through any strategy not strong enough to hold up under scrutiny. Interestingly, we have seen a number of firms, snap up lateral from under the noses of more obvious platforms, in part due to a clear, visible, well-defined strategy. The most effective ones (the ones that seem to impress the most) are those that can be written on, if not one, at least no more than 2 pieces of A4.

Everything, nowadays, is more visible, everyone is accountable. Just as we have 'open government' in politics, we now have open law firms – it's all about leagues tables and pep rankings. If the pep slides, the shares fall and people leave or don't join. Partners respond well to decisive and clear management – 'nice' management is no longer as attractive as 'strong' management.

In this open world, it's commonplace and acceptable to be headhunted. If you are good, your firm will know you are a target from rapacious people like myself, so need to ensure their strategy is good enough to keep their people and attract new ones.

You can't talk about recruitment without mentioning US firms, who have been huge lateral recruiters over the last 6 yrs or so. Their arrival has definitely hotbed up the action, raised the stakes and intensified the level of competition.

It is not so much US v. UK, but players v. non players on the global stage. The informed partner candidates talk of a polarisation between those firms going for critical mass in London, a strong European offering and those that are pursuing a different strategy. Unless you are going for full-frontal competition for global domination, competing with the likes of CC and Freshfields, then anything half-hearted is unlikely to attract the people you are after.

Mid-ranking equity partners looking to further develop their practice will be interested in what they believe to be the optimal platform for doing so – and they will have witnessed enough failed strategies (part amongst

the US firms) to make them wary. They will know that a good brand alone doesn't ensure franchise clients in the US use the firm's European operation - if, like the Lathams, Clearys, Shearmans, White & Case of this world, you have bodies on the ground here and in Europe, that's different.

I have seen some of the elite NY firms fail to get the top players because they lack the European presence or any desire to build beyond a servicing capability. Of course, throwing lots of money at people is always an option, every man/woman has their price, but that might not work beyond the guarantee period. And we are seeing whole teams and leading individuals coming out of (mainly US) firms after the guarantee period has run out.

Often because they have not been properly integrated within the practice - I know of a number of partners who have made not a single trip to the US in the time they were in their London office. Sometimes because the rationale behind their hire, which is that they will act as a magnet for deals/recruitment, doesn't always bear fruit.

I will leave integration to the specialists, but even from our perspective, it is key: if a firm fails to convince a partner candidate that they have thought about their integration, then they fail to convince that they have a strategy beyond come on board, not attractive.

So much for the client. Now for the lateral candidate.

Whether a search or recruitment dynamic, let me tell you: moving firms is traumatic right up there with changing spouse or moving house. We usually advise people not to try all three at once - can affect your blood pressure.

We're talking about high emotional stakes. In the particular animal that is the lawyer (having married one I feel I know the species pretty well by now), there are certain psychological traits that emerge.

To 'land' your lateral hire, you have to understand what makes him/her tick, know which buttons to press. Some (most) of it is common sense, but it is remarkable how many firms, sophisticated though they are, can still get it wrong.

The push and pull factor: in 10 years of specialising in partner moves, there is something I have identified as the "push and pull" factor: a push away /pull towards. I have learnt that if there isn't a 'push' away from the current firm, it is unlikely a partner will move. Lawyers, on the whole, tend to be more risk averse than your average lion-tamer. Add to that the known truism that people don't like change. The combination leads to the presumption that without the 'push' people will stay put. They may flirt with the idea, respond out of courtesy or because they are flattered by an approach, toy /gargle with the idea of moving - and often the grass is always greener elsewhere - but when it comes to the bullet crunching time, reality check/wrap towel round head stage - they stay put.

So what does it take to move them? Well, a lot of it is common sense, a good dose of judgment (to know when to back off a little or push a little harder), good timing, and a little bit of luck.

In no particular order:

A believable product. Remember the point I made earlier about a needing a well-defined and thought out strategy. You need to make them feel involved in the rolling out of that strategy. This is where you tell them they are critical to your firm's needs, crucial in the continuing development of whichever practice area you need them for. Pivotal to the successful implementation of their strategy. Make them feel needed, in short. We all like to feel needed, and all too often partners come to us feeling undervalued.

A considered approach. You don't want to be too keen either - a rushed offer can be counter-productive. Too soon and there's a whiff of desperation/need - never attractive. The Groucho Marx syndrome sneaks in. Also, remembering that lawyers tend to be cerebral individuals rather than impetuous ones, they will need the comfort of information. Often, they cut out the firm entirely rather than have to make a decision based on insufficient information.

Spending time on an integrated Bplan is a hugely important part of the process as well. If this is skipped by the client firm, an offer may well not be taken up because the target partner doesn't feel enough thought has gone into how they will be knitted into the fabric of the firm. It also allows for the management of expectations - you don't want to have that awkward conversation at the end of the first year, where the firm talks about your disappointing figures and disregard the wonderful (non-chargeable) work you've done to get onto the European panel of one of their clients.

Whilst we're on the subject of documents, a word of warning to those with lateral hire questionnaires – they clearly do show that the firm has put thought into the process, but if they are unleashed on the target partner too soon into the process, it scares them off. Mainly because there is a large section about indecently direct questions about billings, financial track records and portability of business.

We step in at this stage to educate the target partner as well – if they are coy about figures, and apologetic about their following, we need to work on them. I remember one US managing partner, rather touching in his bewilderment, when confronted by a partner candidate who started off by saying he thought he could confidently bring a £1m, then spent the rest of the hour cutting it back to almost nothing. "Why did he do that?" he asked plaintively.

The fact is that the process involves more than the sponsoring partner/dept. At some stage, a dispassionate partner on the Partners Admission Committee or equivalent, will be assessing in a cold-hearted way the business case of taking on a lateral hire from a firmwide/global perspective.

For them to be convinced, the firm and the target have to work together to get BP that will pass muster. We work in partnership with the firm at this point – we help the target partner with his/her business plan, we help the firm work on the integrated plan. We make sure the partner puts his most confident foot forward in relation to financial performance in the future, and eke out from them whatever contacts they can work on. If they are coy, we work with them to make them more confident so that they make a better impression at the other end.

Compensation: If you get this wrong, your partner candidate will disappear in a blinking of an eye. "It's not about the money". That is what most of our partner candidates tell us when they first come to see us at the start of the process – by the time we're negotiating an offer on their behalf, it is much more about the money than maybe even they realised, so it is definitely an important part of the equation.

However, it is true that on the whole, people don't move just for money. At least not at partner level. There are mercenary types out there, but they tend to have their own agenda (early retirement)...others may be annoyed with stagnant PEP.

It's not so much about quantum as about comparables – Partners will look to those to believe are their peer group within the firm, and expect to be brought in at a similar level – if they aren't, there has to be a reason which is acceptable to their testosterone levels.

What does send a message is the point of entry: are you pegging them at the bottom/middle/top of the equity? If you get it wrong, it can put the firm on the back foot – and can leave a sour taste in the mouth of the partner, notwithstanding reaching an acceptable compromise.

A shot in the dark offer, if way off the mark, can cause upset beyond repair. "if this is all they think of me, I'm off". On the other hand, if too high, it brings pressures of its own: if they're paying me that much, will they expect more than I can offer? And what if I fail, think of that overhead, they will be breathing down my neck in a nano-second". We advise the client beforehand about ballpark figure expectations. And at the candidate end, we ensure their demands are in line with market rates, or within what we know is what is achievable given the firms they are considering.

At the heavy hitting end of the partner spectrum, partners often use a firm's PEP as a self-selective filter – if they aren't profitable enough, they can't afford them – and no, they don't want a special deal because they want to feel they are still within the firm's comfort zone – otherwise, we're back to the peculiar set of pressures brought on by 'special deals'.

We work closely with CEOs and management to construct an offer according to acceptable targets – much of this is strategic input: if you want this person to help build an international private equity practice, then you can't emphasise hard targets in the first year, or you need to set them much lower than you would if you were recruiting a mere number-cruncher.

We have moved enough partners who have accepted offers that are less than they were on (usually a US to UK move) to know that money isn't everything. Mind you, not all are like that – I like the partner who explained in a sorrowful way that he really couldn't accept a penny less than £750,000 because he then wouldn't be able to afford to hire a cleaner and his wife would never forgive him.

I am going to finish on what I believe to be the strongest play a firm can make to secure a lateral: a sustained assault on all of their senses.

I am not advocating a full-frontal attack – too much love can be hard to take – you want to be loved, but not overwhelmed. Too easy and not challenging enough. Too hard, and you don't bother going there.

I can think of any number of deals that have fallen flat for no other reason than lack of tender, loving , care. If your hiring process is lumbering and slow, the excitement goes out of it and it no longer feels like they are being wooed. Many of the partners we have placed have chosen firms who were good at the loving bit, rather than to more obvious platforms – red carpet treatment works, it really does.