

## Goldilocks solution key to lateral hiring strategy - Top Stories - Lawyers Weekly

**Law firms with a conservative lateral [hiring](#) strategy tend to be more successful than their more active or minimally-active direct competitors, according to new research from the UK.**

As a follow up to research conducted earlier this year into 1,944 [partner moves](#) in [London](#) across a five-year period, Motive [Legal](#) Consulting has conducted new research to determine the extent to which lateral partner hiring delivers value to [law firms](#) and the most appropriate strategy to do so.

Recognising that [law firm](#) development is affected by a multiplicity of factors, the research [report](#) maintains that lateral partner hiring continues to be the "main perceived engine of law firm growth", with almost every law firm in the [UK market](#) having a dedicated strategy to hire partners.

With a serious degree of attrition amongst lateral partner hires in the UK - a rate of 33 per cent after three years and 44 per cent after five years - the research sought to uncover the financial value to firms.

"It stands to reason therefore, that these programmes must be presumed to be having some effect to law firm financials over time. Otherwise, why do it?" said Motive Legal Consulting's Mark Brandon.

Released in October, the new research examined the same [data](#) set of 1,944 lateral partner hires from July 2005 and July 2010. The research focused on six pairs of London law firms, which were chosen based on a number of criteria, including similar size, similar strategy/focus, similar geographic location/spread, similar revenues per partner, no major [mergers](#) during the five-year period, and differing lateral hiring strategies.

Comparing large, city-based international firms, national firms, city-based sector-focused firms, [independent](#) city-based firms, Scottish firms and midtown firms, the research concluded that "the best hiring strategy is the Goldilocks solution: not too hot, not too cool, but just right".

"This research would seem to indicate that excessive or sloppy lateral hiring (i.e. having a high attrition rate) can put law firms at a serious disadvantage vis-à-vis their competitors. In all cases, firms with lower attrition rates and generally lower hiring rates have performed better than their nearest rivals," said Brandon.

"Equally, being too conservative about hiring leads to sluggish performance. Too much new blood risks washing away what is there already, or diluting the culture; too little, and the firm stagnates, with new, organically-generated [partners](#) unable to drive [revenue](#) growth."

### The harmful hiring strategies

Noting that [lateral partner hiring](#) strategies have become a "part of doing business these days" for [Australian law](#) firms, particularly in the last 10 years, former [Middletons chief executive](#) and [consultant](#) John [Chisholm](#) said that while some Australian firms are aggressive when [it](#) comes to their lateral partner hiring strategy, others are much less aggressive, preferring to grow the firm from within.

"But I would suspect there wouldn't be a major mid-tier or [large law](#) firm that doesn't have an ongoing [brief](#) out with head hunters," he said.

Without the same data available in [Australia](#) as is in the UK, Chisholm also conceded that Australia almost certainly has a similar attrition rate of laterally appointed partners as the UK.

"I think at any level, but particularly at the senior level, there's that old saying, 'Hire slowly, sack quickly'. I know 'sack quickly' sounds tough, but particularly at the partner level, that is the case," said Chisholm. "I think it's between 30 and 40 per cent here in Australia at the three to five-year level."

While it's difficult to pinpoint why a partner leaves a firm, Chisholm said hiring a partner laterally should not be a business decision but instead one based on people and culture.

"You don't look at it as buying or selling a chattel - it's much, much more than that. That's why sometimes they [lateral partner hires] fall over," he said. "It's a people decision and that's much more important."

One disadvantage of a firm's aggressive lateral partner hiring strategy, according to Chisholm, is the impact it has on morale within the firm, in terms of career progression. Observing that a lateral partner hire can have great [benefits](#) and can sometimes present a much-needed quick fix, Chisholm said the senior [associates](#) within firms with an aggressive hiring strategy will often feel that opportunities for [career progression](#) are available elsewhere.

"At a firm which is pretty aggressive on the lateral hire, you can understand some [senior associates] feel, 'Well for my career, maybe I'm better off at another firm or perhaps I've got more chance of being a partner in another firm than I have in my own'," he said.

In addition to a perceived or actual lack of opportunity for career progression, Chisholm said some lateral hires [may](#) not be successful due to the common mistake of overpromising and under-delivering.

"Sometimes firms just look at the business case. There's a block of fees and clients [the firm] needs ... The good firms look at whether the person is going to add to their [culture](#) or detract from their culture ... rather than just looking at the fees," he said.

"Firms work really hard on their culture, particularly at partner level. With every new entrant - and particularly if they bring a new team - it can and should have an effect on the firm's culture. It if has a positive effect that's fantastic but if it has a negative effect that's where things can go wrong."

**Briana Everett**