

Lateral Hires – The Expectations of Foreign Law Firms



Klaus Christians
CMR Corporate
Management
Recruiting GmbH
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The trend seems to be continuing unabated: foreign law firms, particularly those based in the US and UK, are interested in Germany as a location. A solid market with interesting sales volumes, one of the world's top five economies – international law firms want a piece of this cake, too, particularly in the high-margin specialist domains. Setting up a base of their own or finding German colleagues with economic clout are top priorities.

The objectives are almost identical in each case. They are looking for a colleague at partner level with a significant business – in other words, seven-figure sales volumes plus a team and clients that match the law firm's own portfolio and strategy. Emphasis is placed on the fact that they are not interested in buying sales. Economic compatibility is the main concern. The law firms, meanwhile, offer a renowned platform, are successful, reputable and have a fantastic, international clientele. Up to this point, it all sounds perfectly reasonable.

Colleagues with a complete business of their own, 100% portable – this all seems to indicate that these law firms have a healthy level of self-esteem, raising the immediate question: so what have they got to offer in return? It's less about the income and more about the entrepreneurial business potential of the collaboration they are seeking to establish. Specifically, what quantity of referral business will the law firm will contribute? This becomes yet more apparent when law firms are planning to build up a new division and are looking for colleagues who can bring their own business into the firm. In this case, it all sounds very much like "build up our division for us and invest in us, then we can participate in your/our success".

The fact that interesting, and above all successful, colleagues with their own well-established clientele might expect something more than this does not always seem to have occurred to many of these law firms. A brand with a firm footing in the US market is not tantamount to a guarantee that clients will simply come swarming in

Seeking significant business

100 % portable, with

clients that fit in with the

law firm's target group

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over here, particularly in Germany's SME-heavy commercial landscape. But even German law firms have sometimes failed to do their homework in this respect.

Anyone wanting to attract successful lateral hires, should know the ins and outs of their own business. Not just the active operations in the firm, but also the potential which it either currently boasts, or which is harboured by its clients in the respective specialist division: i.e. potential which the firm has so far been unable to unlock, lacking the requisite specialist competence. It would also be important to learn the extent to which the law firm would systematically pass on the business which is currently being outsourced to third parties to their new partner in future. Experience has shown that, with a few exceptions, this does not always happen.

Many successful colleagues with significant business dealings of their own are apt to go self-employed, especially in specialist fields such as IP, for instance. This enables them to lower the cost rates while maintaining profitability as well as to sidestep both obstructive requirements from the US and an onerous administrative workload. The acquisition effort involved is the same, be it internal or external. The client benefits from lower hourly rates without seeing a drop in the quality of service. Investing in one's own law firm often seems more worthwhile and effective, as everything is transparent and one's own expectations are clear and unequivocal.

It would be more productive if a law firm seeking to set up a new division appraised the internal potential that is currently being passed on to external colleagues. The next appropriate step would be to assess the potential for the new specialist division on the basis of the firm's current clients. This will reveal just what the firm really needs. A colleague with a sustainably significant business, whose team is working at full capacity, may not have the free

Entrepreneurial
colleagues

expect the law firm to

invest its referral business

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capacity needed to harness this potential, and then what? An own goal!

When targeted parties ask what referral business a law firm seeking to take over their operations will contribute and what potential it has to offer to achieve a genuine win-win situation, it is best to put the cards on the table. If this reveals that the law firm has given the matter serious consideration and is truly striving for a win-win situation, then this will create the foundation for a partnership on an equal footing, additionally fostering a joint entrepreneurial spirit.

Win-win situation

Portable business and referrals are the corporate objectives