

The Legal Intelligencer

Compensation Handcuffs Partners, Delaying Lateral Move Season

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by Lizzy McLellan | June 28, 2016

Case Digest Summary

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The activity has been spread across firms of different sizes and practice areas. Saxton & Stump, for instance, brought on Stacey Meadows, former general counsel for Thomas Jefferson University Health System. Plaintiffs firm Kline & Specter brought on Nadeem Bezar and Emily Marks from Kolsby, Gordon, Robin, Shore & Bezar, and intellectual property boutique Panitch Schwarze hired Bryon T. Wasserman from Mayer Brown in Washington, D.C., and Ronald J. Ventola II from Schnader Harrison Segal & Lewis. In the same week as all of those moves, corporate law partner Ronald Frank joined Blank Rome after 16 years at Reed Smith.

Also in June, Obermayer Rebmann Maxwell & Hippel's Harrisburg office brought in former Montour County District Attorney Rebecca Warren, and tax attorney Richard Fox left Dilworth Paxson for Buchanan Ingersoll & Rooney.

Other parts of the country have seen a number of laterals as well, including California and New York. And in Florida, K&L Gates gained five attorneys, including three partners, in May and June.

Recruiters said the timing of some of these moves is likely due, at least in part, to law firms holding back compensation or coming up with other ways to make partners think twice about leaving.

Usually, the most movement has taken place in January and February, after bonuses and withheld distributions were paid back, Pittsburgh recruiter Valerie Esposito of McAnney Esposito said.

“Some firms are dragging that out a little longer,” Esposito said. “When they shift those payment dates or hold-back dates, that has a trickle-down effect.”

Esposito said partners are always worried about the compensation consequences of a lateral move, and she said firms are always worried about losing partners who are valuable. She noted that Pittsburgh is a tough market for laterals, with a more conservative mentality. But on the flip-side, a firm might be willing to offer incentives to make the leap for new partners who can boost the bottom line.

“The market is so competitive for true business developers and people who can really add value to a firm,” Esposito said. “If they think the benefit is there they will stretch. ... People who are worth getting are worth stretching for.”

Lori Carpenter of Carpenter Legal Search in Pittsburgh agreed that the lateral market has been especially active recently, and that compensation structures are playing a role.

“We are seeing more movement at this time of year than we used to typically see 10 and maybe even five years ago,” Carpenter said. “I think the timing is firm-dependent ... and often based on the changes that have been made to partnership agreements over recent years that dictate a variety of factors.”

Carpenter said some firms have begun paying out bonuses in two distributions, one at the end of the year or the end of January, and another at the end of June or in July. Conflicts can also play a role in a delayed lateral move, she said.

Two recruiters in the Philadelphia area said the recent wave of laterals was not unexpected.

“It’s been a pretty busy year overall. There’s just been a lot of activity,” Steven Kruza of Kruza Legal Search said.

But, like the Pittsburgh recruiters, both said compensation has become a factor in delaying deals. For that reason, Kruza said, April and May has become a typical time of year for lateral moves.

“Perhaps a lot of these firms sort of move to dissuade people from moving or discourage it by holding back compensation,” he said. “People would be walking away from significant chunks of money if they left” early in the year.

Lateral activity will likely slow down now through the summer, Kruza said.

Jason Y. Mandel of Alevistar said there has been a recent small uptick in partner movement and a lot of movement involving associates. The moves announced in May or June, he said, were likely in the works since the beginning of the year or earlier.



“Firms are starting to become more aggressive now because the economy is better, but it’s harder to get deals done because firms don’t want to lose good people,” Mandel said.

In addition to losing bonuses or other compensation from their old firm, partners are sometimes worried about meeting the required numbers at a new firm while dealing with the changes of a lateral move. Mandel said sometimes he will try to negotiate a signing bonus or a longer fiscal year for new partners to ease that concern. And sometimes, still, the deal will fall apart.

“Sometimes on the first try, partners just aren’t ready to make the move,” Mandel said. “In Philadelphia people tend to stay in places longer. ... It’s harder to get big deals done.”

Lizzy McLellan can be contacted at 215-557-2493 or lmclellan@alm.com.

Follow her on Twitter [@LizzyMcLellTLI](https://twitter.com/LizzyMcLellTLI).

