

The Legal Intelligencer

Lateral Partner Movement Frenzied Late in the Year

A low-growth market and pressure on rate increases have fostered a lateral hiring boom as firms look to add revenue by acquiring new talent, practices and geographic footholds.

by Gina Passarella and Lizzy McLellan | November 04, 2015

Case Digest Summary

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The lateral activity that in years past has been largely consolidated in the first quarter of the year has trickled all the way down to the fourth quarter as several Pennsylvania firms have made significant hires in recent weeks. But many say they expect a brief slowdown for the rest of the year as partners fall

back to the traditional notion of waiting to receive their year-end bonuses before switching firms.

“I think the lateral market is just burning right now and will continue to burn,” said Ballard Spahr chairman Mark Stewart.

Stewart said his firm has seen steady lateral movement all year, though he said that will slow down from now through December.

National recruiter Mark Jungers of Lippman Jungers said, however, that there is less waiting around for year-end bonuses than there used to be. He said some firms have started spreading out the year-end bonus payments until as late as April or May of the following year in an effort to deter lateral movement.

“I think firms have made it so that the year-end bonus is far less important,” Jungers said. “I think a lot of the lateral movement is driven by firms doing really well and those firms are willing to make people whole.”

Jungers said firms will pay at least a good portion of what a lateral might be missing out on by leaving before the end of the year.

From a local perspective, Lori Carpenter of Carpenter Legal Search agreed.

“Every firm is different now in terms of their cycle, so I think that’s why we see new things now,” she said.

In terms of growth, Jungers said firms are focusing largely on corporate practices. And while Texas has cooled off as a lateral market, places like Los Angeles and New York remain hot, he said.

Just this week, Ballard Spahr announced it hired Latham & Watkins restructuring partner Paul Harner in the firm’s New York and Baltimore

locations. And the firm is looking to grow even more on the transactional side in New York and in other markets.

Recruiters have said most firms are finding it easier to grow outside of their hometown markets.

Robert Nourian of Coleman Nourian said most firms are taking good care of the most sought-after laterals. That makes it difficult for a firm in the same market, with a similar footprint, to offer those laterals anything different that is worth moving for, Nourian said.

But joining an out-of-town firm can offer an attractive alternative, he said. That is why many large Pennsylvania firms are looking outside of the mature Pennsylvania markets, to places like Washington, D.C., Chicago or the West Coast, when hiring laterals, Nourian said.

“All firms, I think, are recognizing that it’s really tough,” Stewart said. “The only way that you can really grow right now is you merge [or] you add laterals to take work you otherwise wouldn’t [have].”

He said it is difficult to increase revenue through rate increases or acquiring more work organically. Firms are either looking to grab lawyers with books of business to increase revenue or looking to add someone with an area of expertise that could help drive new business, Stewart said.

Jason Mandel, director of legal recruitment at Alevistar Group, said



September through Thanksgiving is typically the second busiest hiring time, after the first quarter of the year. Mandel said he has noticed an uptick in lateral hiring, particularly in transactional practices.

“I think it’s a sign that the economy is picking up steam and

the confidence level is pretty high right now,” Mandel said. “More of the big firms in the city are hiring now than have been in the past few years.”

Mandel said he expects hiring to slow during the holidays, but pick back up at the beginning of next year.

He said he has noticed a lot of associate movement recently, and expects partner movement to increase next year. Following the economic downturn, Mandel said, partners who were comfortable at their firms wanted to stay. But now they have the confidence to make a switch.

Carpenter said the market is active all over Pennsylvania.

“I think it says that people have confidence in their ability to be able to build their practice,” Carpenter said. Those who are moving “have a real confidence in their relationships with their clients.”

Unlike Mandel, Carpenter said she expects lateral hiring to continue through the end of the year.

Stewart said the timing and motivation for bringing on laterals can really depend on the circumstances, with some taking longer to come to fruition.

In Pittsburgh recently, firms like Jones Day and McGuireWoods have been growing on the corporate side thanks to lateral acquisitions from indigenous firms like K&L Gates and Buchanan Ingersoll & Rooney. But hiring one partner at a time has often taken the backseat at many firms to the concept of group moves.

Jungers said the push for firms to bring in groups rather than one or two lawyers is an increasing focus in lateral hiring.

Two midsize Pennsylvania firms recently brought on groups in furtherance of that trend.

At Lancaster-based Barley Snyder, a group of six attorneys joined earlier this week from Hartman Underhill & Brubaker, one of Lancaster's largest firms, which is winding down operations. Barley Snyder managing partner Jeffrey D. Lobach said the smaller firm's dissolution presented an opportunity.

At the end of last month, Burns White announced its plans to acquire Dapper, Baldasare, Benson, Behling & Kane, an 11-attorney litigation boutique also based in Pittsburgh. The deal allowed for growth in areas of law complementary to Burns White's insurance practices.

When lateral partners just aren't enough, Jungers said "merger mania" is still alive and well with many firms involved in merger discussions.

Burns White's acquisition, for instance, boosted the firm's head count toward the end of a year when it had already added a few attorneys. The firm is aiming to grow strategically, executive committee member David B. White said, and may grow more in the near future.

Gina Passarella can be contacted at 215-557-2494 or gpassarella@alm.com. Follow her on Twitter @GPassarellaTLI.

Lizzy McLellan can be contacted at 215-557-2493 or lmclellan@alm.com. Follow her on Twitter @LizzyMcLellTLI. •

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