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Article of the Week from Harrison Barnes

Common Issues Partners Face When Transitioning to a New Law Firm

With many large law firms in growth mode, we take a look at some of the reasons that many partners choose to leave their firms — and how the right move can benefit your career.

Law firms across the country are now more than ever focused on strategic planning for growth and expansion in a legal marketplace that places high value on sophisticated talent and timely delivery of legal services. With the increased surge toward growth and expansion both domestically and globally among the top international and national law firms, **partners with a significant level of expertise** and business are in high demand. Irrespective of the size of their book, their practice area, or other factors which may play a part in transitioning to another law firm, most partners have a number of factors influencing them to leave their current firm and affecting their ability to transition their business to a new law firm. Partners who are cognizant of and prepare for the factors that might affect their ability to transition their business will be better positioned to move their book when the right opportunity presents itself. Some of the issues facing partners transitioning to a new law firm are discussed in more detail below.

Minimal Book and No Time to Build It. This is a common problem for service partners who spend the majority of their billable hours servicing other partners' matters. A prime example of this is the partner, often highly regarded, who is practicing directly under the heavy thumb of a practice group leader. He is so highly regarded that the practice group leader, as well as other rainmakers in his group, look to him to service their books while they continue to market to their prospective clients. Unfortunately, sometimes this service partner wakes up ten years later with excellent client servicing skills, but **little or no book of business to speak of.**

Partners who find themselves in this situation should not be discouraged, however. If the service partner is not satisfied simply servicing someone else's book, then he has only one



option - to move to a firm which will allow him the opportunity to build a book. Assuming a partner is coming from a prestigious firm, has the business contacts to effectively build his book, has a well defined and creative business plan, and has excellent client development skills, he/she is an excellent prospect for a firm who is seeking out highly motivated partners interested in starting and/or growing a practice group. This move may require a partner to make some adjustments in compensation, benefits, etc. in the short-term, but partners who find themselves in this situation must be willing to exchange the short-term loss for the long-term benefit of gaining a higher level of autonomy and security in their practice.

Mergers and Firm Dissolutions. Mergers are business transactions that can bring about enormous profitability but can also sometimes create great cultural stresses. In this marketplace of constant change through spin-offs, acquisitions and dissolutions, partners need to be ready and able to immediately transition their clients. Some partners may find themselves faced with the prospect of having their practice excluded from a merger transaction altogether because of conflicts. Others may be faced with the dissolution of their firms and the resulting need to aggressively pursue firms which make sense for their clients long-term.

Although both of these circumstances can seem somewhat disconcerting for partners, particularly for those who have been with their firm for many years, we have found that these partners are often the most successful in transitioning their business to a new firm. In particular, partners servicing attractive clients, some of which may be institutional, have much to offer a prospective firm. These partners are often pleasantly surprised by opportunities to start and/or build practices for other firms with strategic plans for growth. Some of these partners have even been afforded the **unique opportunity** to start a new office for a firm. Partners faced with this potential obstacle should be greatly encouraged by this marketplace of opportunities and may find themselves pleasantly surprised by the alternative options available to them.

Billing Rates are Too Low. This is a common obstacle for partners who are seeking to transition from smaller or mid-size firms to larger national or international practices and can



often compel partners to remain at their firm, seemingly trapped by the inability to move their practice. Some partners are more fortunate and are faced with only a portion of their book involving clients which may have lower billing rate arrangements. In these cases, partners who are willing in the short-term to leave behind work that does not fit in with the prospective targeted firm's overall practice may reap the benefits of such a strategic decision long-term.

Partners whose billing rates are too low should not feel there is no way out. Assuming everything else is a good fit, firms are generally receptive to working with partners to come up with creative solutions to gradually move their clients' rates over time to levels more in line with the target firm's billing rate structure. Client loyalty and confidence is, of course, essential in this type of effort. Generally we have found that partners who have had long-term relationships with their clients do not have a problem convincing them to gradually move to higher rate structures. This is largely because of the excellent representation the client has received over a period of years, but may also be a result of the fact that the partner may have a better platform from which to service his clients once he has moved to the target firm. Thus, clients have been very receptive overall to making these changes and we have seen a number of partners transition to larger, more sophisticated practices and in some cases more than double their books because of the broader platform they realize in "upgrading" to a larger firm.

Billing Rates are too High — Turning Away Business at Current Firm. The converse of rates being too low - rates being too high - can also appear to some partners to be an issue when attempting to transition their book of business to another firm. A prime example of this type of situation is the partner practicing at a major firm with a minimal book who has served primarily as a service partner for other rainmakers in his current firm. This partner may have had an opportunity to build a small book, but because he has primarily been servicing other partners' business, his book is minimal and he believes he is, as a result, precluded from making a move. Coupled with the feeling that he is unable to move, this partner may also find that he is unable to get new business from cross-selling within his firm because he is competing with many other service partners with whom he practices. The partner may also be forced to turn down business he would otherwise be able to bring in and service himself because the rates for these clients are too low for the rate structure at his current firm.



Partners in this situation will soon find that an alternative firm size and billing structure may be essential to building their book and gaining the independence and autonomy in their practice they so desire. We have found that there are firms which provide these types of partners the opportunities they are looking for. For example, there are a number of “spin-off” firms which are comprised of partners who have left large practice looking for an alternative environment within which to practice. These firms offer great opportunities for partners with smaller books to continue to practice at a high level of sophistication, bring in work at slightly lower billing rates than might otherwise be found at larger firms, and begin accepting the work they for so long had to turn away.

Client Conflicts Prevent Building Book. This is a serious issue which can occur for partners that lateral to a firm with little knowledge about the existing client base and the primary clients or types of projects the firm most often services. A firm that might in all other respects look very attractive, can become a partner’s worst nightmare, precluding the partner from bringing in new business and building his/her book. We have seen partners in these types of situations literally be faced with turning away hundreds of thousands of dollars in new business because their current firm is involved in so many cases that present conflicts. If you are a partner transitioning to a new firm, your recruiter’s thorough due diligence regarding the firm’s existing client base and its effect on your ability to bring in new business and continue to build your book is absolutely key to making your transition smooth and successful.

Current Firm’s Strategic Plan No Longer Supports Practice Group. With the focus on strategic planning and expansion, many firms have changed courses and have had to make tough decisions about practice groups they will no longer support over the long-term. Some partners may find themselves pursuing another firm whose practice and long-term strategic plan is more fitting for their practice. This does not present a huge dilemma for a partner with a sizable book whose practice area could be attractive to other firms in the marketplace. However, it can present a serious dilemma for a partner whose book is marginal and whose practice area may not be one that most firms in the marketplace are expanding. Here, a partner’s ability to convince a prospective firm that his clients and practice fit in with the firm’s long-term plan for growth is essential. The partner must rely on his/her recruiter’s ability to



inform the partner about the prospective firm's strategic plan for growth and expansion and its current client base and practice group distribution, all essential to the partner's ability to understand how his practice could add value to the firm. It is this added value which will enable the partner to more effectively move his book.

Personal Historical Data. Though still operating as historical partnerships, many firms are moving toward more of a traditional business model, often overseen by COO's and CFO's who may or may not be attorneys but who in most cases are numbers-driven and continually monitor firms' viability and profitability. A partner's three-year historical record, including billable hours, billing rates, and client billings, is the minimum information law firms will assess during their due diligence to determine whether a partner may be a valuable addition to their firm. This three-year history is vital to a partner's attractiveness to a prospective firm and presents a model for what the prospective firm can look forward to in terms of the partner's ability to contribute to the firm's bottom line. Partners must continually focus on and monitor their personal data and be cognizant of the affect the strength of their historical data, or lack of strength of their historical data, could have on their ability to effectively transition to a new firm.

Retirement Plans, Capital Contributions, Benefits, Tax Considerations. Many law firms provide fairly sophisticated Defined Benefit Plans for their partners that require significant contributions over a period of time and offer large long-term payoffs. These plans often motivate partners to remain on board at firms they would have otherwise departed many years prior. Partners should not feel "trapped" because of benefit plans at their current firm. Many firms are open to working with partners to create compensation plans which take into account a partner's Defined Benefit Plan structure at their current firm. Likewise, partners who have the option of joining firms as equity partners are often faced with large capital contributions and potential significant changes to their benefit packages or serious tax consequences in the year in which they move. These are all factors partners must weigh in their overall assessment of whether a particular firm is a good fit, but partners must be flexible and open to discussing creative solutions to these factors.



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These are but a few of a vast array of issues partners may encounter when making a lateral move to a new law firm. At BCG, we have the privilege to work with partners nationwide in every conceivable practice group, all of whom have important objectives and who face a variety of issues relating to moving their practices to new firms. It is our pleasure to work with these partners in successfully transitioning them to new firms where they can realize their long-term career objectives.

Our mission is to meet or exceed expectations of partners and their clients and ensure they are succeeding and winning with BCG Attorney Search