# Basic Rules Regarding Recruitment and Compensation of Lateral Partners

Few areas have more potential for internal criticism and strife than determining the appropriate compensation level for lateral partners. And even large firms that recruit tremendous numbers of lateral partners can have a hard time figuring out how to attract and compensate these new owners. The difficulties in compensating lateral partners vary depending on the compensation system employed at each firm, so the tried-and-true tactics outlined below should be helpful to law firm leaders who need ideas for recruiting and compensating lateral partners:

**Do:**
Recruit people who can respond to the goals and objectives of your firm's business plan. Viewing lateral hiring as a way to buy a book of business on the open marketplace always leads to disastrous results, so take steps to ensure that the firm has a long-term business plan that sets forth practice goals and objectives--this is the number-one criterion for bringing lateral partners on board. Once the groundwork is set, then fill in the holes in your talent pool with lateral hiring.
Pursue lateral hires only when they meet strategic needs. The objective is to make sure that all laterals are in line with the firm's profitability. The bottom line: You should be able to tell your partners that in the short-run and the long-run, they're going to make more money because you have been successful in recruiting a new lateral.
Look for laterals who will fit into your existing compensation system. Never compensate laterals at a higher level than you do your firm's long-term, outstanding contributors--even though the lateral may have extraordinary credentials. Bringing in laterals at levels that are significantly above those of your superstars who have performed well for you for a long time can be highly destructive; it may pay to take a pass on these types of candidates. The best alternative: Try to put laterals into a tier where their contributions and the contributions of the partners already in the firm are roughly equivalent. Remember as well to look at productivity, working attorney performance, business management, and business generation.
Exercise special care with due diligence. Require full written disclosure by all lateral partner candidates by having them describe in excruciating detail the business they'll bring to the firm. One firm leader recommends breaking this information down into three categories: minimum, expected, and optimistic. His law firm also looks at billing rates, hours logged, hours billed, and a three-year business generation history--all to see how the prospects performed versus what they claim they will do once they make the move. A final suggestion: Checks references very, very carefully, so the firm has all the facts it needs to make an initial compensation decision.
Err on the side of under-compensating lateral partners. A number of law firms have a bonus component in their compensation system. This means it's possible to give the lateral partner a lower base compensation or point income and then make up the difference in bonus. It may be preferable to slotting somebody in at too high a level. If you do that, when the firm gets through the end of the year you will have partner dissatisfaction and a management problem to deal with.
**Don't:**
Pursue laterals whose primary complaint about their current firm is that they make too little money and whose primary reason for leaving is to make more money. The chances are overwhelming that their next move is right around the corner, when they think they can make more somewhere else.
Shake existing partners' confidence in the fairness of the firm's compensation system. Some firms inadvertently breed tremendous levels of discontent among owners by overcompensating lateral partners in comparison to existing partners. That's particularly true in firms that recruit significant numbers of laterals each year. The flipside: You over-compensate a lateral and then have to make a downward adjustment. In this situation, firms run a substantial risk of demotivating someone they're counting on to fill an important hole in your strategic plan. What you end up doing is undervaluing the long-term contribution that you're trying to

have the other partners make.

Pay lateral partners significantly more than their old firm did, although we concede that this tactic may hurt your firm's chances of landing some laterals. Still, you will inevitably see partners who are looking to make big compensation increases with a lateral move, but your best bet is to reward outstanding performance with a bonus instead of locking the firm into a higher level of compensation to start with. An interesting approach: To focus laterals on teamwork as soon as possible, one major law firm allocates points to them instead of giving them a substantial guarantee and attaching many performance criteria to their compensation. "If you're saying to a lateral partner, 'We're going to compensate you at a much higher level based on your business generation and the number of hours you work, you discourage them from being involved in important client work generated by the firm, business development work that can be done with other partners, and generally becoming a solid team member," one firm leader explains.

Overlook your existing partners; communicate openly about what the firm is doing and why. This is particularly problematic in firms with an open compensation system where every partner in the firm knows what every other partner makes. In addition, during the final stages of recruitment, many firms disclose what it will pay incoming lateral partners. Having that knowledge goes a long way toward alleviating partner concern and dissension.