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Why Communications Is Key To Merger And Lateral Success

Law360, New York (March 12, 2012, 12:25 PM ET) --"Ultimately the bond of all companionship, whether in marriage or in friendship, is conversation." – Oscar Wilde

The leaders of today's global law firms may not often seek management wisdom in the words of Oscar Wilde, but they could do far worse than to consider the above quotation one of their guiding principles. Wilde's bon mot about the importance of communication is as applicable to the professional realm as it is to the personal. And with the recent surge in law firm marriages — or mergers, if you prefer — it is becoming more relevant by the day.

In recent months, there has been debate in the legal press over the value (or lack thereof) of law firm growth strategies that depend on the acquisition of lateral talent — via individual partners, practice groups or entire firms. No one can doubt, however, that it is today's growth strategy of choice. More than 60 mergers of domestic and international law firms took place in 2011, representing a 54-percent increase over 2010, according to numbers from Altman Weil Inc.

That finding represents the largest number of mergers since 2008, a figure held down in the interim only by the financial crisis affecting the legal industry as a whole. Meanwhile, The American Lawyer reports that 2,500 individual partners left or joined the nation's 200 largest firms last year, a 22-percent jump from 2010.

These trends have picked up more steam in early 2012. The AmLaw Daily recently conducted an informal, unscientific study of the lateral market thus far in 2012. After only two months, eight firms already had double-digit net gains or net losses on the lateral market.

The frenzy of lateral movement has led to a number of concerns, including client conflicts, cost structures, and the growing income gap within large partnerships. And, earlier this month, Law360 reported on the price of the emergence of megafirms, including more client conflicts and the loss of firm culture. But for the law firm leaders who have absorbed laterals (or entire firms), the largest threat by far is the danger that their prized lateral hires won't stay.

After all, while the pursuit of laterals has its rewards, it also comes at a significant cost. Citi Private Bank's 2011 report indicates that although revenue rose 4.1 percent at large firms in 2011, profits per equity partner grew only 3.3 percent. Given that many firms have tightly controlled spending in other areas, the fractional increase in profits provides circumstantial evidence that salary packages given to laterals are cutting into firms' bottom lines.

Even more eye-opening is data from Motive Legal Consulting, which studied lateral movement at the offices of U.S. firms in London. Of the partners hired into those offices between 2006 and 2008, more than 35 percent had left by 2010. That's an astounding amount of investment lost in a very short time.

Precise figures on the average investment made in lateral hires are scarce, but in 2006 the former chairman of Thelen Reid & Priest LLP noted that it can easily take well into a partner's third year with a new firm before it reaches the break-even point. When entire firms combine, expenditures on integrating computer systems, offices, and other infrastructure only increase costs and extend that break-even point. Establishing a revolving door of laterals, then, is a fast track to financial peril. And from the outside, it would appear some firms are taking it — like the firm that attracted among the largest number of laterals in 2011, but still lost 20 more than it gained.

Given the stakes, law firm management should be eager to make use of every resource helpful in attracting — and more importantly, retaining — lateral acquisitions. Foremost among those resources, of course, are financial ones, and recent reports of the $5 million income that DLA Piper LLP has guaranteed to former Paul Hastings LLP litigator Jamie Wareham suggest they are being used aggressively.

In the quest to find and keep lateral talent, law firm leaders should keep in mind another vital yet undervalued resource: communications campaigns. Virtually all large firms have communications professionals already on staff, and deploying their talents to the benefit of lateral additions can go a long way toward keeping them happy and productive long past the break-even point.

For some, it may require a change in thinking to conceptualize communications teams as an adjunct to a firm's recruiting function. This is only because the value of communications — and marketing more generally — to attorney recruiting has traditionally been overlooked. The fact is smart communications initiatives can pay large dividends both in attracting talent and retaining it.

In at least two different ways, a firm's communications arm can prove helpful in wooing talent. The first contribution is the most obvious — and if experience is a guide, the most neglected. These days, virtually every major law firm is looking to add profitable lateral additions, and many express dissatisfaction with the quality and number of laterals they have been able to attract. While those laments are to be expected in a competitive labor market, it is odd to hear the refrain repeated by so many legal recruiters: My client firm cannot articulate a clear recruiting pitch to laterals.

Of course, defining a firm's pitch to laterals is not easy work. It requires a firm to examine itself and identify two or three concrete characteristics that speak to its essence and set it apart from others. Yet it is necessary to craft a compelling pitch about the firm if one expects to attract laterals, just as much as it is necessary to have a pitch if one is to attract clients. Honing such pitches is the work of communications professionals, and their expertise should be used to arm leadership with the key, top-level messaging points for use in conversations with lateral candidates.

The talents of a communications team also can be used as a carrot for prospective laterals. In comparison to outsized salary guarantees, the cost of a communications campaign devoted to a lateral in her first six months at her new firm is relatively small. And like the effective staging of a house being shown for sale, its benefits as a selling point far exceed its costs. The promise of a communications effort that will promote a new partner says something about a firm's commitment to the success of a new hire that dollars simply cannot. And there's hardly a partner in legal practice that wouldn't like the idea of their ego being stroked for six months.

After the lateral — or merged firm — has signed on, the contributions from the communications team only become more important. First, communications has a huge role to play in the integration of new lawyers into the firm, a process that is universally recognized as being critical to the newcomers' success at their new professional home.

That role can take many shapes, but one obvious task for a communications team is helping leadership sell the firm's existing partners on the value of incoming lawyers, and to explain how they fit into the firm's strategic vision. This type of inward-facing communication is extremely important, and those who have analyzed the experience of Howrey LLP suggest that the lack of it played a role in the downfall of that firm.

A well-executed outward-facing communications effort around lateral additions can pay massive rewards as well. For individual lateral hires, an intensive, short-term public relations campaign has benefits on at least two fronts: (1) creating invaluable goodwill for the firm in the mind of the new partner and (2) selling the new partner as a member of the new firm to potential clients.

In the case of mergers, the communications effort must be even more intensive — and imaginative. A press release followed by stories in local legal trades is necessary, but not sufficient, for a firm looking to capitalize on the business benefits of a merger. Instead, every communication resource should be brought to bear in positioning the merged firm for success.

Each merger has different characteristics, meaning no cookie-cutter strategy will be appropriate. Any strong communications initiative around a merger, however, will highlight various aspects of the merger, to a variety of target audiences, in ways that go beyond the obvious headline.

Lurking beneath that headline may be a commercial real estate story about the use of space in a newly combined office. There may be feature stories for C-level executives on the personalities that drove the discussions. There will be opportunities for panels or other special events for local and trade publications to cover. And there will certainly be opportunities to gain traction from alumni outreach and the merger of firm blogs, social media accounts, and newsletters.

Most important, perhaps, is the opportunity to position the merger as a story of interest to the major industries serviced by the new firm. What are the implications of the merger — are they reflective of any trends, client desires or geographic changes happening in the industry? These stories put the new firm on display directly to target-rich audiences.

All of the above tactics raise the visibility of a new firm at the time most critical to its success. And all of them take imagination — and communication skills — to execute. And as Oscar Wilde indicated long ago, if a merger of partners is to be successful, those communications skills will be necessary to a long and happy union. So firm leaders should not be afraid to remember, when reaching deep into their pockets for laterals, the importance of good communication.

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