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# DUE DILIGENCE IN LATERAL HIRES

By Meghan Koransky

Now more than ever law firms are looking to lateral hiring as a key business development strategy. The risks are great and so are the rewards. Laterals can open new books of business, expand upon firms' practice areas and geographic reach, and even help firms secure a more competitive position in the market.

When things go sideways, the consequences can be far reaching, and not just for the lateral. Attorney exits damage morale and waste resources. They may lead to a perception of instability among firm clients, prospects, and recruits.

For small and medium-sized firms, integrating established attorneys comes at a premium. Compensation and business development expenses rise; additional associates and staff may be needed to support laterals. There may be capital outlays for enhancements to facilities, technology, insurance coverage, and subscriptions. These expenses weigh more heavily on smaller firms. When laterals generate less work than expected or exit the firm shortly after joining, the impact can be profound.

With so much riding on success, it is logical to assume decisionmakers carefully vet each candidate. Yet, time and again, hiring committees rely on instinct rather than due diligence when considering laterals. All too often, firm leaders are caught off guard by information that could have been gathered early in the recruitment process.

It is important to invest the time and resources necessary to make an informed decision. Bearing in mind confidentiality considerations, it is also helpful for sponsoring attorneys to engage colleagues in the vetting process. This creates additional data points; it also helps team members feel invested in the process' outcome.

Due diligence considerations vary based on the unique needs and interests of each firm. Examples include:

<b>Professional Reputation + Culture</b>	<ul style="list-style-type: none"> <li>• Are there any bar complaints or pending legal actions?</li> <li>• What's the candidate's reputation among practitioners and clients?</li> <li>• How would the candidate's style of leadership affect firm culture?</li> </ul>
<b>Strategy + Vision</b>	<ul style="list-style-type: none"> <li>• What is the candidate's primary motivation for changing firms?</li> <li>• Are the candidate and hiring firm aligned in goals and expectations?</li> <li>• What support would the candidate need to be successful (e.g., staffing, technology, business development, subscriptions, facilities)?</li> </ul>
<b>Client Portability + Risk</b>	<ul style="list-style-type: none"> <li>• Are these personal clients or firm clients?</li> <li>• Are there issues with clients (e.g., refusals to pay bills or demands for excessive discounts)?</li> <li>• What potential conflicts could arise with the candidate's book of business?</li> </ul>
<b>Financial Performance</b>	<ul style="list-style-type: none"> <li>• How many hours in the aggregate does the candidate manage?</li> <li>• What are the existing rates, realization, and fee structures?</li> <li>• How would these financials meld with the existing structure?</li> </ul>

Lateral growth as a business development strategy is here to stay. With boomers retiring and law school enrollments down, the pool of lateral candidates is shrinking. It is tempting for hiring committees to rely on instinct alone when deciding to bring on laterals. This is a high-stakes gamble, especially for small and medium-sized law firms. It is paramount that firms take time to carefully vet each candidate.



Stay tuned for subsequent issues of *The One Drop* when we explore lateral integration. Are you a founding partner with stories about lateral growth? We want to feature you on an upcoming episode of our Founding Partners podcast. Please email Meghan Koransky at [mkoransky@lawfirmgc.com](mailto:mkoransky@lawfirmgc.com) for details.