

# Cultural Due Diligence for Lateral Hires

By Alan R. Olson

**L**ateral hiring of lawyers is nearly universal in law firms of all sizes, and movement of lawyers between law firms has become commonplace. Many law firms have turned to hiring laterals as their primary growth strategy, attracted by potential benefits which include more immediate impact on particular client and firm needs, less need for training, faster economic break-even, greater economic return and, possibly, reduced likelihood of turnover.

Lateral hiring, however, is not a panacea, and carries its own set of complexities. The costs of poor hiring decisions actually increase with lateral lawyers, due to higher compensation. Unsuccessful lateral hires can also dampen or damage morale, sap management time and energy, disrupt working groups, and create other organizational costs.

In addition to strategic and financial due diligence,<sup>1</sup> it is critical for law firms to understand and deploy cultural due diligence in advance of lateral hiring. By definition, lateral lawyers have experience with other organizations. This provides a track record to help facilitate a law firm's due diligence in advance of hiring. It also means that the lateral lawyer has been exposed to one or more previous law firm cultures, which, to the hiring law firm, may present advantages, disadvantages, or both.

## Manifestations of Culture

Cultural due diligence is usually neglected, sometimes completely, in recruiting and evaluating lateral lawyers. The following definitions will help provide a bridge from concept to effective implementation.

1. The simple, practical definition for culture in this context, borrowed from anthropology, is that culture includes shared values, customs and beliefs. To help shape the due diligence inquiry, we can add that culture

is who we are, and who we want to be.

2. Culture is a window or gateway to understanding a law firm — its personality, goals, traditions and attitudes.
3. Since culture can appear esoteric, it is useful to think in terms of, and to apply, the manifestations of culture. The manifestations of culture are identifiable, often concrete, and can be meaningfully assessed.

Following are some important manifestations of culture, with accompanying questions and sub-topics, that can enhance a law firm's cultural due diligence in lateral hiring. Each of the factors might not apply in every instance, depending on the position and the individual. The cumulative importance of the subjective factors should also be put in context of the individual lateral. For example, the enculturation level of a third-year associate would likely be substantially less than that of a 20-year partner, or of a former managing partner.

Note that a different background or cultural experience might not mean incompatibility. A lateral coming from a different cultural environment is not automatically incompatible with the hiring firm's environment, just like coming from a compatible environment does not automatically make a candidate the right candidate for your firm. These factors should be interpreted and weighed. For example, an individual coming from a large firm might be seeking a small firm environment.

## Management Philosophy

Assess the candidates' familiarity with, and attitudes toward, management structure, processes and procedures. Is the lateral candidate used to an environment characterized by:

- close supervision or *laissez faire*?

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**“Many law firms have turned to hiring laterals as their primary growth strategy...”**

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- management as a high priority or as “we manage when we find the time”?
- centralized or de-centralized?
- advocacy of procedures or anti-red tape?
- Meetings frequently or infrequently?

**Leadership**

- What are the roles of leaders?
  - Benevolent dictator? (strong, centralized in one person)
  - Town meeting democracy? (diffused, expectation of participation in most/every decision)
  - Corporate style? (roles, function and authority are defined; reporting relationships established; leaders move in and out of leadership roles)
- Experience and compatibility with leadership styles
  - Top-down?
  - Participative?
  - By example?
- Expectations about following leaders
  - Will I be told to do things, or can I make it up as I go along?
  - If I am told to do something, am I expected to comply?

**Administration**

- What is the role of administration?
  - “A non-lawyer is not going to tell me what to do!”
- Reporting relationships
  - Chain of command or a “cast of thousands?”
- Are the economics owned by the law firm?
- Timekeeping, billing, billing follow-up
  - “I just record time at the end of the month.”
  - “I bill my clients when I want to — not when some policy says I should.”
- Technology

- Management of staff
  - “I manage my secretary.”

**Economics and Performance Expectations**

- Experience with lawyer performance expectations
- Degree of focus on individual performance
- Prioritization of performance
  - Individual billable hours
  - Origination
  - Team, practice group, firm performance
- What is a great year? A solid year? An acceptable year?
- Lifestyle and economics
  - Minimal vacations versus mandatory sabbaticals
- Partnership track
  - What does it take to become a partner? An equity partner?

**Compensation Systems**

- Are a critical manifestation of culture
- Gauge similarities and differences:
  - Formulaic or subjective systems?
  - Team or confederation?
  - Seniority-based?
  - Who decides?
- Level of satisfaction/dissatisfaction with previous compensation system(s)

**Client Service**

- Client base
  - A “select” client base; one-on-one attention
  - High-volume; standardization; consistency
- Client service factors
  - Responsiveness; timeliness
  - Communication priorities
- Has the individual developed client service plans?
  - Have these plans involved joint participation by other practice groups?

**Marketing**

- Compatibility of marketing background, philosophy and approaches
  - Advertising; publicity
  - Styles of business development
- Experience with firm-wide and practice area marketing planning and strategic planning
- Experience with developing annual, personal marketing plans
- Worked with marketing directors

**Associate Development**

- Sink or swim?
- Feeling of entitlement?
- “At my former firm, we used the ‘mushroom principle’ for our associates.”

**Firm Size and Growth**

- Large firm to small firm
- Small firm to large firm
- No-growth environment to rapid growth

**Conclusion**

Conducting cultural due diligence takes time and skill. The factors being considered must not only be identified, but weighed independently, and also balanced together. A lateral who is hired mainly for new business development strengths must also, ultimately, be compatible with respect to client service standards, performance expectations and the hiring firm’s compensation system. Otherwise, problems will emerge that may or may not be resolvable. While some factors might well be deemed as more important, intensely divergent views in a single area can hamstring an otherwise synergistic match: e.g. the great lawyer that won’t keep time or bill; the high-producer that goes through associates, etc.

To many, culture appears amorphous, “touchy feely” or insignificant. Its impact can range from low to high and its visibility, from hidden

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to obvious. As illustrated by the topics and questions listed above, however, culture can be a very powerful force within law firms, and cut across numerous substantive, operational and procedural vectors. By focusing on the manifestations of culture, the conceptual can be translated into concrete questions and evaluation, and readily applied to lateral hiring decisions. ♦

<sup>1</sup> Please see article "Lateral Hires and Due Diligence Strategic and Financial Review," by Alan R. Olson, in the April 2008 issue of this newsletter.

**Alan R. Olson** is a principal of Altman Weil, Inc., working out of the firm's Midwest Office in Milwaukee, Wisconsin. He can be reached at (414) 427-5400 or [arolson@altmanweil.com](mailto:arolson@altmanweil.com).

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Two Campus Boulevard, Suite 200  
Newtown Square, PA 19073  
Telephone (610) 886-2000  
FAX (610) 359-0467

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