

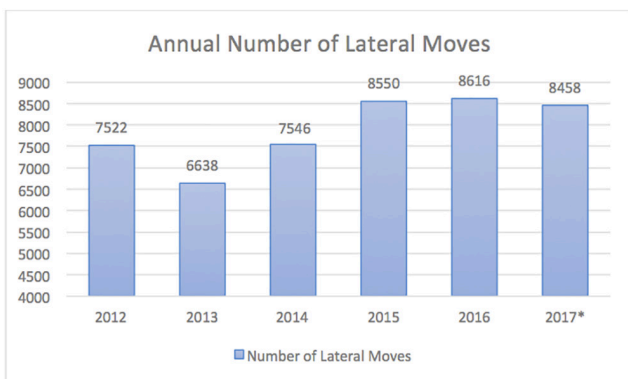


Law Firm Laterals 2017 H1 Report: Actionable Intelligence for Law Firms

Law firms often turn to lateral hiring as one element of a strategy to increase in size and grow their client base, and lateral movement has been on the rise in recent years. New legal market data collected by Leopard Solutions finds the tide may be shifting slightly, however, with a drop in lateral hires in the first half of this year.



That firms can and should grow via lateral hires has become conventional wisdom. Virtually all law firms (95.6%) responding to the latest Altman Weil [flash survey](#) said they were planning to acquire laterals as part of their growth strategy, with more than two-thirds of them saying they were looking to add groups of laterals. Furthermore, just over 70% of respondents believe increased lateral movement to be a permanent legal market trend.



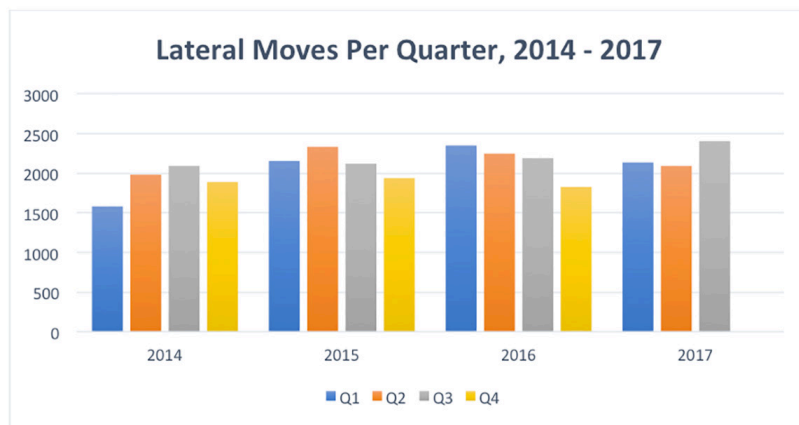
Source: Leopard Solutions
*Projected

While firms may have expressed an intent to hire more laterals this year, data collected by Leopard Solutions indicate that lateral hiring growth at top 200 law firms in the U.S. could be levelling off. According to its database, there was a total number of 4229 lateral moves in the first half of 2017 (through the end of June), a 8% drop compared to the same period in 2016 when 4598 lateral hires were observed. However, at the current pace, the number of laterals at yearend could still match the number of laterals that occurred in 2016, when a total of 8,616 were observed.



Slowdown started in last quarter of 2016

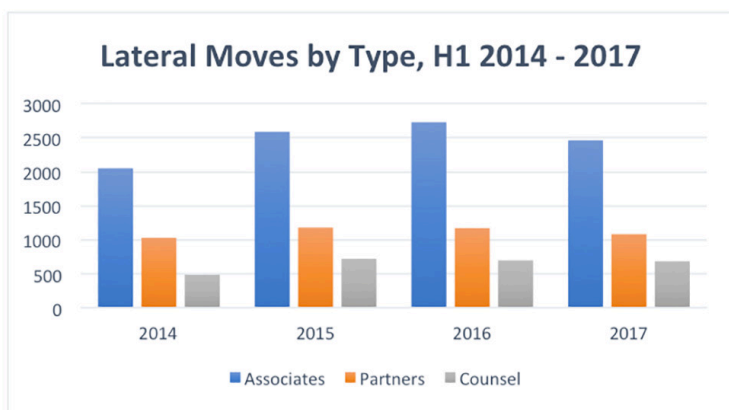
A quarterly breakdown of the Leopard Solutions data shows the second quarter of 2017 saw just over 2,092 lateral moves, slightly less than the number observed in the first quarter when 2,137 lateral moves took place. There was a more significant drop in the fourth quarter of 2016, when 1,828 laterals were noted, the lowest number of laterals in a quarter since the first quarter of 2014, when 1,582 laterals were observed.



Source: Leopard Solutions

Fewer Associates on the Move

The drop in laterals observed in the first half of 2017 can be attributed to fewer associate moves so far this year compared to previous ones. Leopard Solutions data shows there were 2,465 associates that made lateral moves in the first half of 2017, compared to 2,731 for the same period in 2016, an 9.7% decrease.



Source: Leopard Solutions

There's also been a decrease in the number of partners and counsel involved in lateral moves so far in 2017 compared to the first half of 2016. Partners were involved in 1,082 lateral moves and counsel in 682 moves so far in 2017, a 7.6% and a 2.0% decrease respectively compared to the first half of 2016.

Drivers of Change

What are the reasons for this apparent cooling off in the lateral market this year? One possibility, of course, is that 2015 and 2016 might have been peak years, and 2017 would then represent the "new normal," a stabilization in the



number of lateral hires made by top U.S. law firms. But are there other forces at work that could potentially impact the number of lateral hires made by these law firms?

It is possible firm leaders are becoming more skeptical and cautious in their approach to laterals. Even though almost every law firm points to lateral hiring as an important part of their growth strategy, “more than half of laterals do not meet expectations in terms of business brought in and/or personal productivity,” [notes](#) the survey cited above. Firms may be spending more time assessing the true growth potential prospective laterals can deliver, and concentrating more time and energy on managing their integration and achieving milestones once they are hired.

Another factor that may partly explain the slowdown in laterals is the elevated pace of consolidation in the U.S. legal market. Data culled by Leopard Solutions suggest that there’s been an uptick in hires as a result of law firm mergers in the first half of 2017. H1 saw 519 moves due to mergers, compared to 387 for the same period in 2016, a 25.4% increase. However, we now see 960 moves due to mergers since January 1.

As a result of flat or decreasing demand for law firm services, law firms of all sizes have been waging [a battle to gain market share](#) – acquiring new clients and expanding into new markets. To achieve this, firms have been seeking quality combinations to make these gains, especially if their lateral hiring strategies have not delivered as expected. Data presented by Altman Weil Mergerline corroborates this trend – it suggests that 2017 is on pace to be a record year when it comes to the number of mergers and acquisitions in the U.S. legal market. “There have been 52 combinations announced through mid-year, including 24 in the second quarter, topping the prior mid-year peak of 48 in 2015 and 2016. Cross-border combinations are also on track to reach an all-time high in 2017,” it [notes](#).

Is it possible that firms are seeking other growth strategies, including full mergers, and reducing their focus on lateral hires? Leopard Solutions tracks data related to law firm growth trends, including detailed information about attorneys, lateral moves, mergers, and new office locations, and we will continue to follow developments in this area closely.

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