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Preventing a Revolving Partner Door: Building Ties that Bind

In the not so distant past, numerous firms - particularly the most prestigious firms - touted the rarity of unwanted partner departures to competitors. Fast forward to 2024 where we see relatively few, if any, AmLaw 200 firms escaping some level of partner defections. As partner firm-hopping becomes increasingly common, firms face higher costs of sustaining their size or securing growth, as well as hard costs associated with lost revenue and profit. Equally important, although difficult to quantify, increased levels of partner departures also threaten law firm stability and harm strategic competitiveness. In light of these threats, building ties to bind partners together and prevent a revolving partnership door has never been more important.

Why are partners firm hopping, and why is it a problem?

There are rational explanations for the rise of partner lateral moves in recent years. In our work with law firms, we see increased partner disengagement in the post pandemic environment, an ever-increasing desire for greater compensation, an impatience for how long partners are willing to wait for that compensation, and of course, a broader social trend where individuals rarely commit themselves to one organization for the entirety of their career.
Some of these trends may not be reversable, and thus the industry will undoubtedly see some level of heightened talent movement across law firms for years to come. However, an elevated level of partner departures presents material downsides for law firms. When partners leave firms, particularly high value and well-respected partners, other firm members feel a certain amount of destabilization and uncertainty. This often triggers morale problems and a risk that others will start to question their future at the firm. In addition, replacing departed partners is expensive and involves risk taking. Not only do firms have to fund the start-up period of lateral partners (the time difference between when the partner joins the firm and when collections are received from their clients), but many lateral partners are unknown quantities who may, or may not, ultimately deliver on the promises made during recruitment.

So, all of these downsides to the rise of partner lateral moves beg the question, is loyalty within law firm partnerships dead – or can we find new ways to cultivate and rebuild partnership commitment and engagement?

Strategies to Build Partnership Interconnectedness and Glue

- ***Leadership Trust and Partner Communication***: In firms with greater partnership glue, key leaders represent some of the most highly influential and business-minded partners within the firm. These individuals are chosen by the partnership based on a high degree of partner trust in the leader's ability to make unbiased, well-informed, and well-communicated decisions for the partnership as a whole. Establishing a high degree of trust requires that leaders are seen as operating impartially, setting aside practice, office, or partner constituencies to make difficult decisions and lead from a firmwide perspective. It also requires that leaders engage in a high degree of two-way partner communications or dialogue about firm decision making. Unfortunately, leaders often underestimate the need for communication – in terms of frequency, repetition, format, and range of topics. Firms where leaders proactively cultivate frequent and ongoing, individual and group communications with the partnership about firm direction and key leadership decisions experience a greater degree of glue and partner connectedness to firm leadership and the overall partnership.
- ***Investing in Building Partnership Culture***: Years ago, when partnerships were smaller and more geographically concentrated, law firms benefited from unifying and committed partnership cultures – real glue which held the partners together. As firms have grown and spread out across more locations and more diverse practices, the fabric within many law firm partnerships has weakened. To create ties that bind partners to one another and generate greater commitment to the firm, building relationships between partners should be a top leadership priority. This is often best accomplished through a combination of in-person social and substantive interactions. Social interactions which mix partners and organize them into smaller group settings promote greater familiarity and broaden internal

networks. Substantive discussions on topics of import and meaning to the partnership (e.g., core values, DEI, performance expectations, financial goals) as well as client-focused discussions tend to generate greater appreciation for the intellect and talent of colleagues. When partners work together on client matters or collaborate on client development and expansion activities, they develop stronger ties to one another – in terms of both their practices and their relationships. These ties help further bind them to the firm and build their engagement in the partnership as a whole.

- ***Ensuring the Firm's Compensation System Effectively Rewards Top Performers***: The rise in partner movement from firm to firm has put significant pressure on partner compensation across segments in the legal industry. Lateral partners are often paid a premium to move, and attracting high performing laterals with significant books of business often requires firms to either overpay the lateral relative to current partners or stretch the top end of partner compensation within the firm. While often necessary for successful lateral recruitment, both of these approaches can generate some level of partner angst, as current partners may feel undervalued relative to the "special deals" paid to new lateral hires.

  In light of these tensions, firms must objectively and systematically evaluate their partner compensation system to ensure that the system 1) rewards the highest performing partners (including rising star junior partners who are impatient with gradual compensation adjustments), 2) provides high quality two-way communication about compensation and performance, and 3) continues to promote a sense of connectedness and stability within the partnership broadly. Accomplishing these objectives requires that firms set aside historic compensation system norms and adapt the firm's system to transparently define and reward both quantitative and qualitative performance criteria and outcomes, provide high quality performance feedback, allow for fluid, performance-based compensation adjustments, and importantly – move money to the highest performing partners to ensure that these individuals feel appropriately valued and rewarded by the firm. (For further discussion, see our recent Insight on Evolving Approaches to Partner Compensation).

- ***Involving Partners in Strategy Development and Execution***: All too often we find that firms fail to sufficiently engage their partners in strategy development. The lack of partnership input into firm strategy development not only risks partner satisfaction and engagement, but it also means that many partners will neither understand nor support the basic tenets of the strategy, imperiling successful execution. The strategy development process offers a unique opportunity for firms to cultivate partnership dialogue about the future of the firm, which can lead to greater cohesiveness and commitment among partners. To accomplish this, partners need to feel that they have a meaningful role in the strategy development and implementation process – not simply a status update or rollout presentation, but active involvement at various stages of strategy development, including an analysis of the firm's current competitive position and soliciting input and discussion on potential goals and direction. Once a strategic plan is adopted, cultivating partner engagement in strategy implementation is often best accomplished through delegation – identifying a range of partners, including those outside of primary leadership roles, to take the lead on specific implementation actions. By cultivating partner involvement in firm strategy development and implementation, firms achieve a greater level of shared partner commitment to the firm's long-term direction and success which goes well beyond individual partners generating client work and billing hours.

The rise of lateral movement in law firms has resulted in a revolving partnership door across all segments of the industry. Firms which take action to cultivate partner interconnectedness and commitment to the enterprise will ensure a more sustainable, cohesive, externally competitive, and vibrant partnership.

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