

BUSINESS PLAN FOR PARTNERS IN LAW FIRMS

by Ciaran Foy, Associate Director - Legal Private Practice, Aquis Search

Introduction

At Aquis Search, we regularly advise UK and US law firms across Asia on partner hiring in all practice areas. Partner searches are often prescriptive in terms of technical expertise, the current firm of a prospective partner and details of the 'portable following' they can bring to the table. More often than not, if there is no compatibility on the latter point, there is no merit in progressing matters further.

We similarly represent partners and aspiring partners who are keen to understand market conditions and find a platform, which can take their career to the next level. If indeed we can identify a firm that can offer synergies with this partner, we then need to drill down on any portable business they may have and assist in translating this into written form by way of a robust and persuasive business plan. It must be a tightly drafted and verified sales pitch presenting a list of clients, previous and predicted billings and demonstrating how the same can be translated into a prospective firm's business model.

Why the need for a business plan?

In a competitive market with pressure to service clients more efficiently and increase revenues and profits per partner, commerciality is paramount and a law firm must do its due diligence in reviewing and reporting on the credibility of a partner's business following. At the outset a partner hire presents a significant cost to the firm in terms of the salary alone, not to mention the wider reputational concerns and whilst many partner hires have seen practice areas revolutionised and afforded a substantial return on the firm's investment, a firm must be sensible and take a risk analysis viewpoint on prospects. The level of portable following will also be a key determinant in benchmarking the partner's compensation levels if appointed.

Changes in partner hiring

Prior to the global economical crisis where the legal market was expanding at record levels and revenues were soaring, law firms demonstrated greater flexibility and faced with a lawyer with sound technical skills, the right cultural fit and strong business development prowess but not necessarily a business following, law firms were often willing to take a chance on such a promising individual. In today's market, partner hiring is highly cautious and the aforementioned scenario is an extreme rarity and the reality is that most firms are unwilling to even consider a partner hire without a book of business.

We hasten to caveat that there are still exceptional instances where a partner without a business following may be a viable consideration where, for example, a partner has retired and a partner is well-positioned to step in and service an existing client base, or where the partner has niche technical expertise currently absent in the firm that can substantially enhance the offering of a particular practice area. We reiterate that this is the exception rather than the rule.

What constitutes a book of business?

As a partner, you will be seeking to estimate what client work can be brought in at the charge out rate of the potential firm over a set period of time. Often of greatest interest in a business plan will be clients with whom you have the leading relationship in your current firm and who you identify as very likely to follow you to your new firm. It can include clients whose matters are covered by your current practice area and work that has been introduced to other practice areas by you. In a climate where

cross-selling initiatives in law firms are key, the latter can be highly interesting especially if there is scope to enhance the practice area of a partner to whom you are presenting your business plan. Referral work to other firms often for client conflict related reasons is equally valid.

Challenges in defining a book of business

Defining a following is difficult given it is subject to numerous variables that are underpinned by a highly capricious legal market. The strength of your relationships, how you anticipate your client will react to your new firm, synergies with the client base of the new firm and potential for client conflicts are all challenges. Evidently if your relationship is forged with one key individual within a client institution, you can find yourself in a precarious position in presenting such a relationship as watertight. It is therefore useful to enumerate as many different contacts as possible, citing the longevity of the relationship and the individual's seniority. It is important to be accurate as law firms will check the detail and it is easy to lose credibility over an unverified client.

In terms of predicting a following, lawyers are often cautionary in nature and ever guarding of their integrity and they often under-represent the strength of their following, focusing on worse case scenarios and the volatility of market conditions. The tendency in the work place is to be conservative about expectations and then exceed targets. However, a business plan should be viewed as a sales pitch whereby you are seeking to present matters in the most positive possible light to influence the outcome. Firms buy into individuals with energy and entrepreneurial flair and the role of a partner is ultimately to win business and build a practice and your ability to market your business plan is a measure of your prowess as a business developer for the firm. Whilst it would be reckless to significantly over-promise, it is important to be confident in your professional relationships and abilities.

As a recruiter, it can be equally challenging to manage an overly optimistic partner who legislates for a favourable outcome in every given scenario, exaggerates the depth of relationships and makes predictions wholly out of sync with previous billing and client development. A reality check is often required, prompting a review of the business plan which can ideally lead to more reasonable conclusions.

Sufficient following

In terms of what constitutes a sufficient following, it is normally assessed on a case by case basis depending on the level of entry for the partner but broadly, the expectation is that you will bring in at least three times your proposed compensation. With respect to following, some practice areas have more stringent requirements than others. Litigation practices are traditionally viewed as less portable and transactional banking and corporate partners are assessed more onerously given the repeat nature of the work and the likely development of an entrenched relationship.

Restrictive covenants

The contract entered into with your existing law firm will provide restrictive covenants in relation to soliciting clients following your departure. This often creates anxiety for a partner contemplating a move but the reality is that law firms do not often enforce these covenants and indeed, the legal position vis a vis their enforceability remains tenuous. Clients do not respond well to being dictated to in terms of who they can instruct but the last thing you want when embarking on a relationship with a new firm is to find yourself embroiled in litigation with your former firm so it is always sensible to seek out independent legal advice.

Charge out rates

The correlation between the charge out rates/ recovery rate of your current firm and the potential firm can have a dramatic effect on your following. Realistically if you are obliged to charge higher rates/ generate a higher recovery in your potential

firm, the ultimate bill to the client will be higher with the consequence that they may no longer be willing to follow you. If it is a prestigious client and there is scope to attract an interesting volume of work, the potential firm may take a commercial view on this and honour the original rates or they may be willing to enter into transitional fee arrangements. If you are moving to a firm with a lower charge out rate, this can work in your favour as you may be in a position to offer more competitive rates, thereby enhancing your prospects of securing this client's loyalty. The charge out/ recovery rates are particularly relevant if you are considering a vastly different type of firm. A business plan should address any disparity with charge out/ recovery and propose some sensible solutions.

Submitting a bill is one thing but as many a partner will unfortunately concede, being paid is a different matter and ensuring this occurs in a timely manner is a skill in itself. Consequently, details in terms of your collection history will also be favourably received. Picking your client is key.

Your business plan

- The business plan should start with a concise executive summary, capturing the essence of your commercial proposition.
- You should be able to provide an overall figure of your personal portable business.
- Cultural fit is key to any successful business relationship so it is vital to demonstrate how you can synergise culturally with the firm.
- If you are meeting with a few firms, it is essential to tailor your business plan to each firm and draw on synergies with its salient practice areas and client bases.
- It is useful to contextualise your business plan in conjunction with developments in your own practice area and the market conditions. Any information which adds credence to your findings will be helpful.
- It is essential to outline the scope of the plan. If you are in a position to transfer existing matters to the new firm without breaching any restrictive covenants, you will be able to generate revenue from an early stage although more often than not, this will not be the case. You should legislate for an acceptable grace period where you can build the business. It is deemed sensible to project minimal revenue for the initial six months and to use the ensuing year as a realistic period of what you can achieve.
- The business plan should go through each client one by one, detailing the relevant client contact, the extent of the relationship and billing figures for that client for the previous three years and anticipated billing figures for the next three years.
- There may be a chunk of your existing business that is simply not portable such as a large client that only instructs law firms on a restricted panel or if you are acting in primarily a support function for a major client. You should be able to provide a credible explanation for this. • Where a relationship is portable, it will vary in strength and you will be required to give a prognosis on the likelihood of following for each particular client. In crude terms you would specify which client is 'warm' and which client is 'cold' with variants in between.
- You should stipulate how you wish to allocate your time between deepening and harnessing existing business and developing new business.
- The business development is of course key and you should have ideas of what support you will require both financially and

in terms of marketing in order to grow your practice.

- If you plan to grow the business significantly, you will no doubt be required to hire an assistant who can carry out the day-to-day lawyering work whilst affording you ample time to concentrate on the more high value work/business development. Provide a time frame and some figures to factor into the plan.
- You may wish to provide detail on the profitability of each client and their consequent sustainability. In a market fraught with corporate restructuring, you want to avoid placing emphasis on a single client who might end up in financial difficulties.
- In addition to highlighting the positives in your plan, it is essential to flag any anticipated obstacles and some considered and proactive solutions you may have to them and all of the above must synergise as far as possible with the business model of your potential firm.

How Aquis Search can help?

We can provide a necessary sounding board throughout the process and once you have completed the painstaking task of assessing your following and quantifying the same in a detailed plan, it is useful to seek out guidance. Lawyers are well-versed in legal opinion but they often do not have experience in drafting a successful business plan. It is at this juncture that we can add value to your plan and challenge some of your more conservative assumptions and ensure you are doing yourself justice. Conversely, we can also advise where we feel you are over-promising with a client. In addition to managing an often lengthy process from start to fruition, we are well-positioned to counsel you in terms of what compensation range you can expect vis a vis your business following and negotiate on your behalf to secure the best package. Law firm partners make infrequent moves in their career so a change can prove a stressful time particularly in a precarious market where the landscape is ever changing so as industry experts, we can be at hand to keep you on the right track and help secure the most synergistic platform for your career.

About the Author

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Ciaran is an Associate Director responsible for the recruitment of private practice lawyers across Asia with a focus on the major hubs in Hong Kong and Singapore. His remit ranges from newly qualified lawyers to partner level placements and he has had proven success in recruiting within various practice areas of major law firms.

Prior to joining Aquis Search, Ciaran worked as a qualified lawyer for five years at a top US law firm specialising in real estate transactions before joining a global London search firm. His background has afforded him a true understanding of the legal recruitment market and uniquely positions him to offer commercial, consultative advice to both clients and candidates alike.

Ciaran grew up in Northern Ireland and read law with French at Queen's University in Belfast. He completed his legal practice course at Nottingham Law school and was admitted as a solicitor in 2006



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