

GRMINTELLIGENCE

A DIVISION OF GRM

PARTNER FOCUS

SOUTH AFRICA

2019



About GRM

GRM is a multi-award winning recruitment, research, and consultancy firm with offices in Hong Kong, Cape Town, and London.

Our reach and market intelligence stretches across the world. We have experience of successfully completing projects on 5 continents. GRM's decision to have a true presence on three continents speaks to our commitment to bridging the gap between Africa, Europe, and Asia.

Launched in 2009, GRM specializes in executive search, legal recruitment, people analytics, research, and management consulting.

Our differentiator is our combination of data, market research, knowledge of the market and headhunting capabilities. We are staffed by legally qualified professionals, with an extensive network and unparalleled insight into the legal market.

At GRM we are constantly striving to bring our clients innovative solutions to their human, business operational and strategic needs.

About GRM Intelligence (A division of GRM)

GRM Intelligence is fast becoming the voice of human capital across Africa and is an essential partner to new and existing entrants to African markets. We are the experts in analyzing people, businesses, and competitors to deliver performance gains, competitive advantage, and agility.

In the information age, the real driver of economies, corporates, and commerce is research, knowledge, and innovation. The knowledge, information, and trends that GRM Intelligence gather is not common knowledge. Our research is collected through continuous daily fact-finding and uncovering unusual correlations and deviations.

Within our data lies insight into best practice or the best route to deliver the optimal outcomes for your firm. GRM Intelligence can find out what's going on in any sector and through predict what you need to do to elevate your firm to the next level.

GRM Intelligence has five core services; Comprehensive salary benchmarking, Market mapping, Market entry, M&A Advisory, Human capital related audits and consultancy

GRM's Industry recognition

- Nominee, Researcher of the Year Award (ROTY), 2019
- Top 3 nominee: Cross-Border Recruitment Strategy - Asia Recruitment Awards, 2019
- Recruitment Agency Excellence Award - Finalist, 2018, Le Fonti Awards
- Finalist, Most Innovative Use of AI - CFI Review Awards - 2017
- RI Awards, Legal Recruitment Agency of the Year Hong Kong - 2015, 2016
- Ranked Top 5 Best Agency in APAC - Global Recruiter Awards 2016
- Legal Recruitment Innovation & Excellence Award 2016 - WINNER
- Finalist in Recruitment International Australia Rising Star Award 2016
- Global Recruiter Commended Winner - Best Consultant - 2015
- Silver medalist in the Asia HR Awards - Agency of the Year 2015
- WINNER Global Recruiter 2015 Best New Agency in Asia
- Global Recruiter 2014 Commended Winner - Best Specialist Agency
- Global Recruiter Commended Winner 2013 - Best Small Agency

Our findings on partner remuneration and moves:

- Partners are receiving an increase of up to 15% in 2019 compared to associates and senior associates only looking at 7%-10%.
- Partners from small to medium sized firms could make a move to the large firms as a senior associate and still increase their salaries.
- If you are a partner from a large firm, be on the lookout for more international firms entering the market after elections in May.
- Salaried partners should be wary to chase equity, as there is still some risk occupying this banner.
- Individual business development is essential in order to maintain yearly increases and the survival of your practice.
- UK and US law firms are interested in African business, and some European firms are also asking questions.
- Small to medium-sized firms will employ a partner from a large law firm in order to expand their specialized portfolios.
- Expand your client portfolio across different jurisdictions, in order to diversify your risk portfolio in a recession.

What happened to private practice partners in 2018 -2019 and are there any opportunities for growth?

We have determined that the past year changed dramatically since its predecessor. Associate and Senior Associate moves remained constant, however, we have examined that there was a lot more partner and/or team moves in South Africa.

The typical factors one usually needs to consider are salary increases for fixed partners, equity pay-outs (if any), and commission structures. These are the basic needs of the everyday partner because these factors satisfy the partner's most basic need for financial security.

The past financial year proved to be very demanding for HR Executives/Partners and Departmental Heads, simply because last year's partners were looking for more than just money.

a. The first reason:

More senior partners last year moved to their competitors solely based on strategy and execution. Some partners were stuck at firms only focussing on the bottom line billables, however, they wanted to express their interest in growth within Africa and globally. The current firm did not have any intention to support the partners to facilitate these desires, and so, they simply joined another firm with a clear African/Cross-Border strategy. It would behove the reader to note that there are some firms in South Africa even looking to expand to Europe and South Korea.

b. The second reason:

The second reason for partners looking to make a move in 2018/2019 was simple, they wanted to immigrate. As there is political instability in South Africa, some partners felt it would be 'safer' to pack up and go. This, in essence, is not a bad move; however, one needs to consider one's options. Not all South African qualified lawyers are in demand overseas.

c. The third reason:

There are more and more lawyers asking us to assist them with in-house moves. Practice could become overbearing in difficult financial times, and the largest motivator is partners seeking a better work-life balance. In principle, an in-house opportunity could accommodate those needs, but this is only true in some cases. As corporate clients are also tightening their belts, partners would more than likely face a massive reduction in their salary. Second, to that, some companies only hire one GC to run the firm's legal function. This puts a lot more stress on the lawyer and could result in even longer working hours.

Client following

We encouraged partners to start focussing on building a client following, separated from their respective law firm's institutional clients because it is more difficult to leave the firm without a transferable book of business. And luckily some partners listened. Let us be honest, it is difficult to hire lawyers based only on their skills, especially in a year of recession, like we had last year. A firm would much rather hire a different partner, who could bring in more work and cover their own cost in the first 2 - 5 years.

This is not the end of the road as we mentioned last year.

Most clients are tied up with the current firm and they could not follow the partner in the event of a firm change. The simple reason is that you as a partner is only servicing your firm's client. This potential client is with your firm for more than 20 years, and you only focus on corporate work for them, and the client has 9 other practice areas they need assistance with. How could you move one aspect of a client mandate?

The partner needs to determine if the resignation and joining of a competing firm conflict with his current contract of employment. The partner needs to bear in mind that this could be seen as a breach of contract. Our advice to partners is to always seek an external opinion from outside counsel on a case to case basis. The reason for this is to minimize the risk and cost of the acquiring firm in the event of a successful hire. In some cases, you are at liberty to negotiate the restraint of trade with your current firm in order to make yourself employable.

We at GRM are more than willing and able to assist partners in any of these negotiations, professional business plans, opinions and transfer solutions.

Annual Salaries (ZAR)

So how do you retain your top billing partners?

In 2018 we correctly determined that partners will not see major increases above 20% when they are occupying the same seniority level. Again, for this year we will go as far as to state that a 15% increase is unlikely. What we have seen in the past year, you may notice that Senior Partners are salaried at almost the same rate, regardless of the size of the firm which they work at. The major influence on these packages is first, the industries which they focus on and secondly, the legal field which they specialize in and lastly, the location of the firm.

Most firms have adapted their outlook to remuneration and subsequently worked on additional bonus structures. These bonus structures predominantly included team performances and individual performances. There are partners that made mistakes by having a predetermined salary or equity ratio in their heads. Not one firm in Johannesburg or Cape Town had the same financial targets, salary structures or equity ratios.

When looking to make a move, be sure to understand what targets are set at the firm you are looking to join. Most law firms have a 1:4 ratio, however, there are firms with a 1:8 ratio. You might be unhappy with your 1:4 firm, however, to manage the same salary at some competing firms, you literally need to put in double the work.

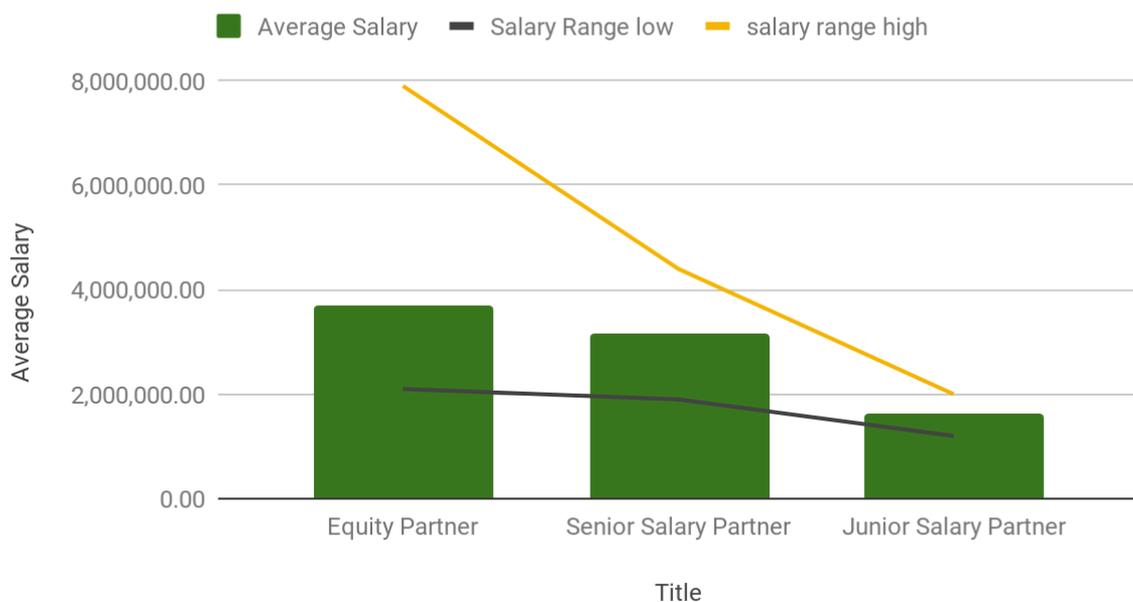


Large firms

We have noticed, Junior Partners from Large firms are normally remunerated on a salary base between R1,2m and R2,0m per year. Senior Partners are remunerated on a salary and benefits structure of approximately R1,9m up to R4,4m per year. When we have a look at Senior Equity Partners, the salary will stay the same and the equity pay-out (if any) will be dependent on the profit margin of either the firm or the department.

Title	Average Salary	Salary Range (ZAR)
Equity Partner	3,700,000	2,100,000 - 7,000,000
Senior Salary Partner	3,156,000	1,900,000 - 4,400,000
Junior Salary Partner	1,616,000	1,200,000 - 2,000,000

Average Salary - Large Firm

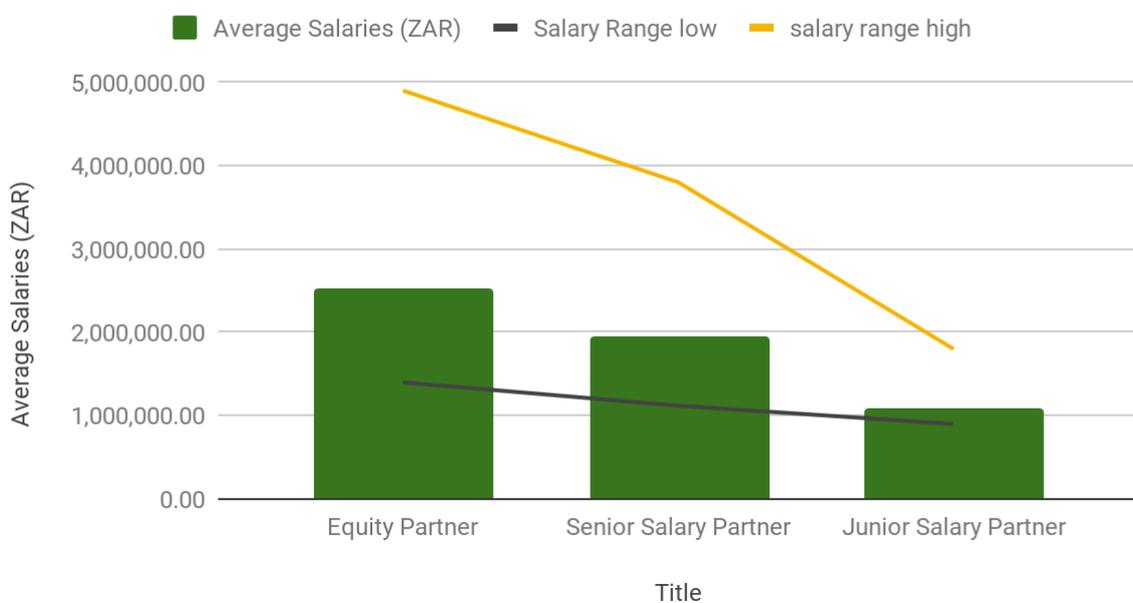


Medium & Boutique

Expect the salaries of the Boutique firms to go up again this year. More and more major organizations are approaching these firms on the basis that they would service the client with a fresh perspective. The client feels more important and well looked after if they know that an entire firm is focusing on their needs. We see that boutique law firms' salaries overtook medium-sized law firm salaries again last year on a partner level. When you are a partner at a small-medium sized firm, it might be beneficial to you to know that with your expertise, large law firms will most probably hire you as a senior associate. Again, we noticed that 3 partners now earn R200 000 more per annum after this "demotion-promotion".

Title	Average Salary	Salary Range (ZAR)
Equity Partner	2,537,000	1,400,000 - 4,900,000
Senior Salary Partner	1,955,000	1,120,000 - 4,000,000
Junior Salary Partner	1,082,000	900,000 - 1,800,000

Average Salary - Boutique / Medium

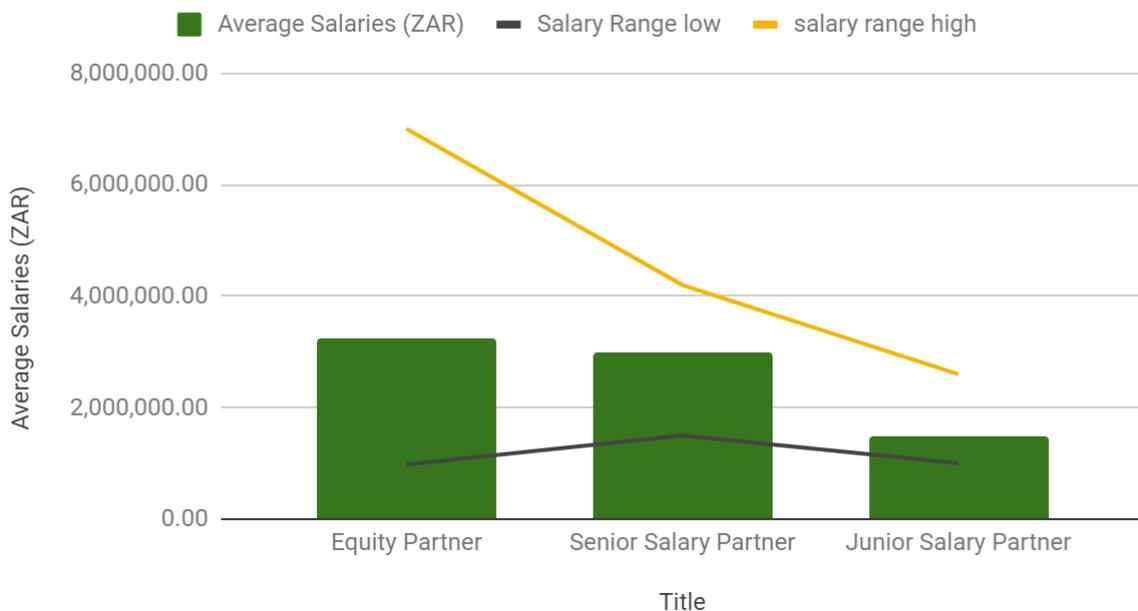


International

The international firms in South Africa are remunerating partners just below the typical large firm averages. This salary or equity increases do come at a price at some firms. When a partner moves from a large firm to an international, they need to adjust their billing model accordingly. This adjustment could mean that the partner's clients gets scared off by paying their old lawyer in US Dollar. There are however additional services an international partner could bring to the table, for his/her clients. One needs to bear in mind that most international firms in South Africa are a combination of local lawyer's books of business. For that reason, the salary will not increase dramatically when moving to the internationals.

Title	Average Salary	Salary Range (ZAR)
Equity Partner	3,230,000	980,000 - 7,000,000
Senior Salary Partner	2,997,000	1,500,000 - 4,200,000
Junior Salary Partner	1,495,000	1,000,000 - 2,600,000

Average Salary - International



Business Development

One needs to consider the everlasting effect a partner could have at a law firm and department within. Part of being a modern lawyer is to focus on business development. In short, what are you doing to make more money and increase shareholder wealth in the long run? It is unrealistic to think that being a good lawyer is all you need. Business Development Managers should work closely with all partners to ensure that their local strategy, foreign strategy, and continental strategy is in line with the firm's growth forecast. We met firms that have strategy sessions on a weekly base with every partner. Does your firm incorporate similar developments?

One could directly correlate salary increases with the outcome. Only 46% of Partners at law firms feels like they are being supported to grow their current department at large firms, compared to last year's 51%. While 35% of Partners feel that they are not supported, compared to last year's 40%. This could put tremendous pressure on the said partner to generate new business while working on a case, brief or project. Some Partners feel that they do not need any BD Strategies and that 'the name will speak for itself/themselves'. There are still many firms which operate this way, especially firms that operate in a traditional structure, but with technology expanding, the traditional way of doing things aren't always effective in the long term. 4% of Partners are comfortable in their current jurisdiction and geographical area. They service current clients on long-term retainers and wish to maintain this flow of projected income. In our view, this is a risky approach, as one does not have control of the activities of the firm's client. We encourage law firms and partners to maintain growth in order to secure yearly increases and maintain the longevity of the firm as a whole.

The Small to Medium Sized firms are looking to expand, with very interesting and revolutionary EE structures. Part of realizing this goal is to acquire a partner or team from the big law firms. Yes, this is an expensive move, however, the benefits are outstanding from the positive feedback we received in the past year. The Medium Sized firms are willing to match the salaries of the Larger Firms in the event that clients will eventually follow. The reason why they are willing to remunerate the partner in such a way is simple, they do not have as many overheads associated with that of the larger firms. This could assist the partner to earn on a 1:3 ratio and in some instances on a 1:2 ratio.

The larger firms are always looking for great high-end talent. As you may have noticed, no firm advertises that they are looking for a partner/director. This is usually an internal and discreet matter or an agency like GRM is briefed on the search. In our view, if you are a partner from a reputable law firm and you are looking to make a move, make use of an agency in this regard. This strategic step could separate you from unnecessary negotiations and conflicts.

Conclusion

In the event of a partner moving from one reputable large firm to another, the picture could differ. A lot of partners are approached by opposing counsel after they were successful in a matter or dispute against one another's clients. This connected approach is one way in securing a new career at a competing firm.

More than a handful of partners are moving between the large law firms in order to experiment with the cultural fit at the previous competing law firm. One should be on the lookout within the restraint of trade clause for the wording of mutual clients. If you are unable to service mutual clients, then you might not be as an attractive asset to the firm that which you thought initially.

Partner salaries increase in different packages every year. Some partner salaries need higher increases, other greater responsibilities or benefits and lastly, others need a cultural change. This culture may be within the current firm or when they are moving to a competing firm.

As it has been in the past two years, partners are more than likely to receive increases above the inflation rate. The equity pay-outs are sometimes in deadlock depending on the economic fluctuations or political instabilities, like we witnessed last year.

One should not be surprised to see almost every US and UK law firm in Africa within 5 years. We are in daily contact with Asian and American law firms always asking questions about South Africa and the rest of the continent. As South Africa is the gateway into Africa, one may predict that cities like Johannesburg, Cape Town and Durban could see large competitors enter the market. Depending on which industry the firms are in, the said entry would have a ripple effect on traditional law firms in the long term. As South Africa could open up the door into Africa, current partners should be on the lookout for great opportunities and possible alliances. With every international entry, we have noticed that the salaries are going up in order to protect the firm from partners leaving with clients. One cannot expect this increase to last indefinitely. Our projection will include the possibility of African Law Firms Merging in order to penetrate the entire market on the continent.

As a final thought, be sure to protect your name in the market, have more lunches with clients, and be sure you do proper research before you approach a new venture.

KEY CONTACTS

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