Managing the Risk of Lateral Partner Hiring
Today's Moderator & Presenters

Wayne Egan
Managing Partner
WeirFoulds LLP

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Co-Chief Executive Officer &
General Counsel
Decipher

Karoline Jackson
General Counsel
Barnes & Thornburg LLP
Biographies of Presenters

Michael Ellenhorn
Co-CEO & General Counsel
Decipher

Michael Ellenhorn is the Co-CEO and General Counsel of Decipher. Decipher helps their clients grow safely and more efficiently - reducing lateral hire risk and cost by conducting deep-dive due diligence investigations on prospective partners – before they are hired. Decipher boasts a 97% success rate and is committed to helping law firms improve both their bottom and line and overall performance through better talent outcomes.

Karoline Jackson
General Counsel
Barnes & Thornburg LLP

Karoline E. Jackson is a partner in the Litigation Department of Barnes & Thornburg and serves as the firm's General Counsel. Karoline represents businesses and individuals in a variety of civil litigation matters in both state and federal courts throughout the United States. She concentrates her practice in the areas of complex commercial, real estate and securities litigation.
State of the Market
The Lateral Partner Market

Lateral moves and average book of business of lateral hires
For Am Law 200 firms

Lateral Partner Moves
2,754

Average Book of Business of Lateral Partner

2010: $1.7m
2011: $1.7m
2012: $1.7m
2013: $1.7m
2014: $1.7m
2015: $1.7m
2016: $1.7m
2017: $2.0m
2018: $2.0m

Revenue moving through the lateral partner market

$3bn in 2018
$31bn since 2010
Firms Can Find Growth in Many Areas – But Lateral Hiring Is By Far the Largest

Sources of revenue growth for Am law 200 firms

$16bn
of Am Law revenue increases are due to increases in lawyers

$14bn
of Am Law revenue increases has been due to price increases

$27bn
of revenue has moved through the lateral markets
Almost All Firms Hire Lateral Partners

Percentage of law firms by number of lateral hires per year
Average of moves for Am Law 200 firms between 2014 and 2018

<table>
<thead>
<tr>
<th>Number of Hires Per Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Hires</td>
<td>3%</td>
</tr>
<tr>
<td>1 Hire Per Year</td>
<td>11%</td>
</tr>
<tr>
<td>2 Hires Per Year</td>
<td>12%</td>
</tr>
<tr>
<td>3 - 5 Hires Per Year</td>
<td>23%</td>
</tr>
<tr>
<td>6 - 11 Hires Per Year</td>
<td>33%</td>
</tr>
<tr>
<td>12 - 25 Hires Per Year</td>
<td>15%</td>
</tr>
<tr>
<td>26 - 50 Hires Per Year</td>
<td>6%</td>
</tr>
</tbody>
</table>

54% of Am Law 200 firms average more than one hire every two months
Lateral Partner Retention Rates Are Lower Than Many Firms Would Like

Lateral partner retention rates for Am Law 200 firms

<table>
<thead>
<tr>
<th>Retention Rate</th>
<th>1 Year</th>
<th>2 Year</th>
<th>3 Year</th>
<th>4 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year Retention Rate</td>
<td>95%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Year Retention Rate</td>
<td></td>
<td>90%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Year Retention Rate</td>
<td></td>
<td></td>
<td>76%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Year Retention Rate</td>
<td></td>
<td></td>
<td></td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>5 Year Retention Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60%</td>
</tr>
</tbody>
</table>

40% of lateral partner hires depart the hiring firm within five years.
Many Law Firms Are Struggling to Accurately Assess the Amount of Work Lateral Partners Will Bring

Percentage of lateral hires which brought their expected book of business

<table>
<thead>
<tr>
<th>Performance Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performed as expected: Brought in expected book</td>
<td>38%</td>
</tr>
<tr>
<td>Slightly underperformed: Brought 75% to 99% of expected book</td>
<td>32%</td>
</tr>
<tr>
<td>Underperformed: Brought 50% to 75% of expected book</td>
<td>20%</td>
</tr>
<tr>
<td>Significantly underperformed: Brought less than 50% of expected book</td>
<td>10%</td>
</tr>
</tbody>
</table>

62% of lateral partner hires underperformed expectations
50-70% of All Lateral Hires WILL Fail within Five Years
Understanding the Challenges
Understanding the Challenges

- Bad Actor
- Bad Performer
- Bad Cultural Fit
- Overstated Book
- Failure of Book to Follow
Questions & Answers
Best Practice Tips for Lateral Hiring
Be Proactive.
Stay Focused
Objectivity and Accountability
LPQ
Interviewing and Evaluation
CFO.
General Counsel
References.
Internal Feedback
Due Diligence.
Offer Letter.
Rigorous Lateral Integration and “Tracking” (Years 1-3).
Presenter’s Contact Information

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Thank You.