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Texas Hiring Shows Healthy Lateral Market

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Mike Graham, partner in the Houston office of Jones Day.
Credit Mark Graham

Lateral recruiting is a courtship. It can begin with a casual comment at a local pub or a whisper from a recruiting firm. For Mike Graham, a partner in Jones Day in Houston, the courtship lasted more than six months. For Michael Cash, a shareholder in the Houston office of Winstead Sechrest & Minick, the dance lasted an entire year and was complicated by the fact that he was bringing four lawyers with him.

Graham and Cash are among the lateral moves reported at Texas' largest firms during 2005. Of the 25 largest firms, as measured by *Texas Lawyer's* "The Texas 100" poster published in June 2005, 18 participated in a survey regarding lateral movements during 2005.

Lateral hiring increased in 2005, while the attrition rate at the firms held steady.

The 18 firms reported hiring 463 laterals in 2005, 12.93 percent more than the 410 laterals hired by the same firms the previous year. The total number of attorneys at the reporting firms was 6,256 on Jan. 1, 2005.

The attrition rate -- a measurement of the number of departing attorneys -- at 12.92 percent is almost the same as the rate of 12.3 percent in 2004. Eleven of the 18 large firms hired more laterals in 2005 than the previous year, six hired fewer and one firm hired the same number.

The uptick in lateral hiring at Texas firms comports with recent trends seen by recruiter Jamy Sullivan, director of the Dallas branch of Menlo Park, Calif.-based Robert Half Legal.

Sullivan says that individual lawyers contacting her recruiting firm usually have four to 10 years of experience but have not yet made partner. "They've got some experience under their belt[s] and now are looking for a transition or a step up in their career[s]."

At the partnership level, the recruiting firm usually approaches the lawyers, seeking to represent them in a move to a new law firm, she says.

During 2005 and the beginning of this year, Sullivan says, she has been receiving requests from firms for real estate, intellectual property and tax lawyers. "And, litigation is always a hot practice area," she says.

ONE JOURNEY

Trial lawyer Graham had a successful 30-year career at Baker Botts, when he decided in 2005 that he wanted to make a change. His daughter Sarah had graduated from the University of Texas at Austin, and his son Patrick would be graduating from Purdue University in May 2006. "So I had a lot of freedom economically and could take a little bit of risk," Graham says. For years he had admired Jones Day's expertise as trial lawyers and the fact that the firm has many locations worldwide. Although he was happy at Baker Botts, he wanted a larger reach for his practice.

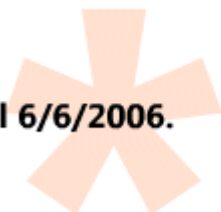
Houston-based Baker Botts has 10 offices, with 468 lawyers in Texas and 694 worldwide. Cleveland-based Jones Day has 30 offices, with 242 lawyers in Texas and 2,247 worldwide, as of Jan. 1, 2006.

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During the summer of 2005, Graham contacted Terry Murphy, a lawyer he knew professionally and the head of the litigation group at Jones Day in Dallas. Graham told Murphy that he was thinking about making a move. "It was difficult to pick up the phone and call Terry," Graham says. "Trial lawyers, we always rehearse the first two or three lines of an opening statement."

Murphy contacted Hugh Whiting, the partner in charge of the Jones Day Houston office, who then scheduled, near the end of July 2005, an informal lunch with Graham. Graham says he didn't hear from Jones Day again for about three months. But when serious discussions began in November 2005, the firm and Graham reached an agreement within three weeks, he says. Graham visited the Jones Day offices in San Francisco and Washington, D.C., after Thanksgiving. By the end of 2005, Graham had an agreement with Jones Day and had notified his colleagues at Baker Botts that he was leaving.

He says the move has been seamless. "I thought there would be more strangeness about it," Graham says. "I drive into work down Louisiana Street, and instead of turning left into the Baker Botts garage, I go three more streets and turn right into the Jones Day garage. I attend the same kind of meetings and appear in the same courts."

But one change has been getting out of the office more, he says. "It [the transition] has forced me to do more of what I should be doing, getting out and seeing more people, telling them I've moved and would like to represent them."

Graham left Baker Botts on amicable terms, says Jack Kinzie, partner in charge of Baker Botts' Dallas office. "Mike is a very good lawyer and a personal friend of mine," Kinzie says. "I was very sorry to see him go, but that happens. People reach a point in their career, have much success at Baker Botts and another platform is attractive. And we all wish him well."

Graham was one of 113 lawyers who left Baker Botts in 2005. The firm has a 2005 attrition rate of 16.28 percent, one of the higher rates among the firms in the survey.

"A certain number of turnovers are just an inevitable result of practicing law at our level," Kinzie says. "The practice is demanding, people develop different opportunities and we're always going to have a certain amount of attrition."

Kinzie says the firm watches attrition closely, particularly among the associate ranks. Kinzie says his leadership group in Dallas, for example, reviews monthly why each associate leaves the firm. "We think about whether it was a good thing for the associate and the law firm or was regrettable and could have been avoided," he says. "The retention of quality associates is very much a part of managing an office and a law firm."

Baker Botts hired 37 laterals in 2005, a relatively small number given the size of the firm. "For us, size is not an end unto itself," Kinzie says. "While we are always looking for talent, we're looking for talent that fits our strategy, our client base, where and how we want to develop our expertise, and for lawyers who fit our culture. That's a lot of hurdles to get over."

GROUP MOVE

When Cash started looking for a large firm to join, he created a particular set of hurdles: He wanted to bring four attorneys from his former firm with him.

Cash said he'd been thinking about making a move to a larger firm since his former partner, Bill Jones, left Jones Cash to become general counsel to Gov. Rick Perry in 2001.

In the summer of 2004, Cash ran into a long-time friend and fellow litigator, Steve Zager, at the Downing Street Pub in Houston. Zager, a partner in Dallas-based Akin Gump Strauss Hauer & Feld, suggested that Cash consider a lateral move to Akin Gump.

Cash says he began talking with David McAtee, head of litigation for Akin Gump, about the idea of him and his four colleagues joining Akin Gump as a group.

Meanwhile, Cash says he ran into Jeff Joyce, a litigation partner in Winstead Sechrest & Minick, at a fund-raiser, and Joyce suggested that Cash consider joining Winstead. So, Cash says, he also began a courtship with Winstead.

Akin Gump has 320 lawyers in Texas and 907 firmwide. Winstead has 309 lawyers in Texas and two in its Washington, D.C., office, as of Jan. 1, 2006.

On July 1, 2005, Cash and his colleagues joined the Houston office of Winstead. Cash and Wade Howard joined the firm as partners. Robert Montoya, Justin Presnal and Tonja Doddy joined as associates.

Akin Gump had been honest with Cash about the difficulty of his colleagues becoming equity partners due to the competition from existing Akin Gump lawyers, Cash says.

"I felt it was going to be a better situation for the group over here [at Winstead]," he says. Cash says he's grateful for Akin Gump's honesty about the opportunities for his colleagues.

Akin Gump has learned through a history of long and successful lateral hiring that the successful integration of a new group of lawyers requires upfront honesty with all the people involved, says Ken Menges, partner in charge of Akin Gump's Dallas office.

"What Akin offers to teams of people is a chance for greater collective success, but at the same time, we want to be absolutely honest about short-term implications," Menges says.

During 2005, Akin Gump hired 95 laterals, the greatest number of lateral hires among the surveyed firms. "We grew at impressive rates during the '90s due to aggressive lateral strategy," Menges says. "We digested that growth in the early 2000s, and now we have embarked once again on an aggressive lateral growth strategy."

That strategy is pegged to specific practice groups, he says. Ranked by priority those groups are intellectual property, private equities and corporate energy, he says.

"2005 started with a bang with the recruiting of Yitai Hu and 10 lawyers from [Pillsbury Winthrop] Shaw Pittman in the San Francisco area," he says. The lateral hires represent Akin Gump's first presence in the Silicon Valley and Taiwan. "It was a huge boost for our national IP litigation practice," he says. Menges says Akin Gump plans to continue with an aggressive lateral strategy during 2006.

Akin Gump also had the highest attrition rate of the 18 firms in the survey, losing 147 lawyers or 17.48 percent of its attorneys during 2005. Menges notes that most of the losses were associates.

"It's something we grapple with each year," he says. "It's a very competitive marketplace. As much as we are in the market for lateral hires, we recognize our friends at other law firms are doing the same thing."

Like Sullivan, the recruiter, Menges expects the level of lateral moves to be healthy and perhaps increase during 2006. A lawyer with a successful practice, at a local or regional level, might see greater opportunity at a national firm and a chance to expand his or her client base, he says.

Menges also notes that a lawyer at a national firm may likewise see a better opportunity to serve clients at a local or regional firm, because the clients don't require a national platform and the accompanying overhead expenses.

Notes Menges, "There is an increasing difference between local, regional and national firms in terms of client base, billing rates and partner profits."

CHART: Lateral Hiring at Texas Firms in 2005

LATERAL HIRES' PRACTICE AREAS

The following is a list of practice areas that saw the most lateral movement at 18 of Texas' 25 largest firms during 2005.

Practice Areas -- Number of Attorneys

Appellate -- 1

Banking/Real Estate/Finance -- 34

Bankruptcy/Restructuring -- 14

Business Transactions -- 7

Corporate and Securities -- 97

Energy -- 15

Environmental -- 5

Government Relations -- 3

Health Law -- 10

Immigration -- 5

Insurance -- 2

Intellectual Property -- 42

International Law -- 5

Labor and Employment -- 21

Litigation -- 23

Mergers and Acquisitions -- 3

Public Finance -- 2

Public Law/Policy -- 8

Tax -- 23

Utility Regulation -- 3

White Collar -- 4

Note: Twenty-five of the largest Texas firms as listed on *Texas Lawyer's* "The Texas 100" poster for 2005 were asked to participate in the Lateral Hiring Survey. The 18 firms that participated in the survey hired a total of 476 lateral attorneys in 2005, and 49 of those laterals did not specify their practice area. Seven firms declined to participate: Beirne, Maynard & Parsons; Cantey & Hanger; Godwin Pappas Langley Ronquillo; Hughes & Luce; Jackson Walker; Locke Liddell & Sapp; and Vinson & Elkins.

Source: the firms

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