

2017/2018

GRMSEARCH

**GOLEGAL**  
INDUSTRY NEWS AND INSIGHT

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# PARTNER FOCUS

# GRM SEARCH

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*Most Innovative Use of Artificial Intelligence - Global 2017 - (Finalist)*

*CEO of the Year 2017 - (Finalist)*

*Best Recruitment Agency Hong Kong 2015 - (Silver)*

*Hong Kong Legal Recruitment Team of Year 2016*

*Hong Kong Legal Recruitment Team of Year 2015*

*Best Small Agency Asia Pacific Commended Winner 2016*

*Best New Agency 2015*

*Best Recruitment Consultant 2014*

*Best Specialist Recruitment Business 2014 (Commended)*

*Best Permanent Recruiter 2013 (Commended)*

CFI AWARD

CEO REVIEW

ASIA HR AWARDS

RECRUITMENT INTERNATIONAL

GLOBAL RECRUITER

## OUR FINDINGS ON PARTNER REMUNERATION 2017-2018:

- Partners are, on average, receiving increases of up to 18-20% when they move to a new firm;
- Partners from small to medium sized firms can make a move to the larger firms, sometimes with a reduction in seniority (senior associate) and still increase their base salaries and prospects;
- If you are a partner from a large firm, be on the lookout for more international firms entering the market in the coming 5 years, most US and UK law firms will have a presence in Africa;
- 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;
- Small to medium sized firms will employ a partner from a large law firm in order to expand their specialized portfolios;
- Negotiating a restraint of trade from the first day of employment is essential; and
- Moving in-house from a partner position is becoming harder and harder due, in the main, to lack of opportunities.

## **WHAT HAPPENED TO PRIVATE PRACTICE PARTNERS IN 2017/2018 AND IS THERE AN OPPORTUNITY FOR GROWTH?**

Giving GRM Search's position as the number 1 partner and team recruitment agency in Africa, our research has determined many interesting points over the past year in the partner remuneration sphere. One needs to determine if a partner is salary based, commission based, or equity-based. Each one of these factors will have an influence on their likelihood of changing careers or firms. Secondly, even if a partner is unsatisfied with the current remuneration package, it is more difficult to leave the firm without a transferable book of business. This, however, is not the end of the road. Most clients are tied up with the current firm and they could not follow the partner in the event of a firm change. 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 in some cases. 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.

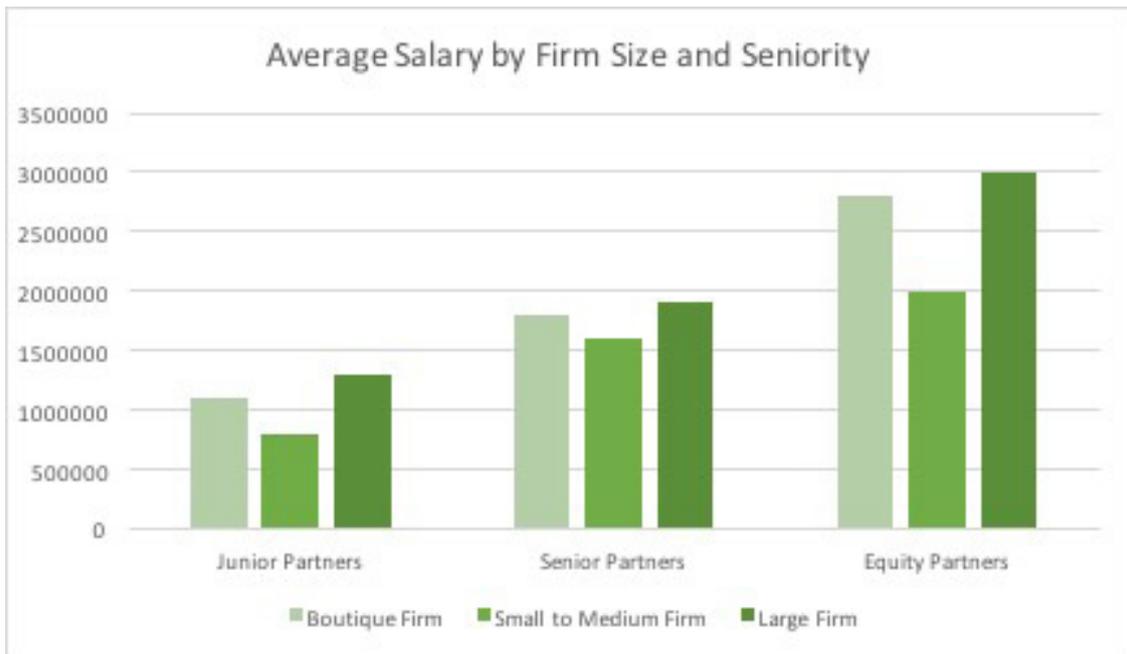
We at GRM Search are more than willing and able to assist partners in any of these negotiations, professional business plans, opinions, and transfer solutions.

## **IN 2018 PARTNERS WILL NOT SEE MAJOR INCREASES ABOVE 20% WHEN THEY ARE OCCUPYING THE SAME SENIORITY LEVEL.**

What we have seen in the past year is that senior partners are salaried at almost the same rate, regardless of the size of the firm in which they work. The major influence on these packages is firstly, the industries which they focus on and secondly, the legal field which they specialize in, and thirdly, the location of the firm.

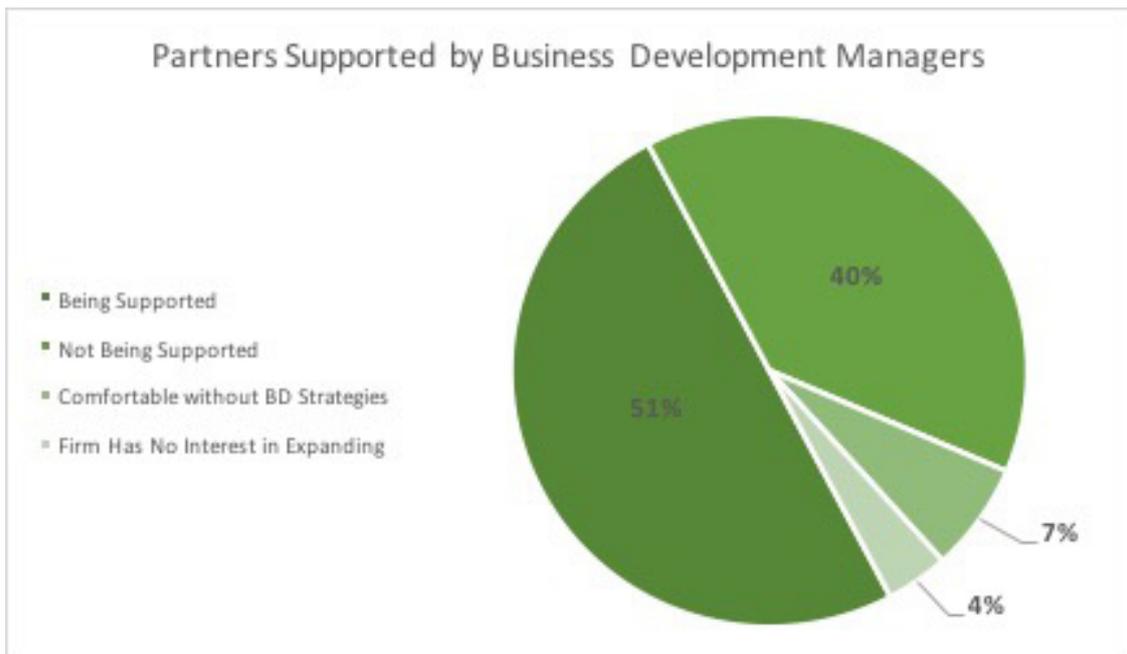
Further, we have noticed that junior partners from large firms are normally remunerated on a salary base between R1,1 million and R1,9 million per year. Senior partners are remunerated on a salary and benefits structure of approximately R1,8 million up to R4,2 million per year. When we consider senior 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.

Expect the salaries of 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. Boutique law firms' salaries overtook medium-sized law firm salaries 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. From a recent move, we noticed that the partner now earns R200 000 more per annum after this "demotion-promotion".



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 (BD). 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 firms' growth forecast. We met firms that have strategy sessions on a weekly base with every partner. Does your firm incorporate similar developments?



What we see in the chart is remarkable and in our view, one could directly correlate salary increases with the outcome. Only 51% of partners at law firms feel as if they are being supported to grow their current department at large firms. While 40% of partners feel that they are not supported. 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 strategy and that 'the name will speak for itself/themselves'. There are many firms who operate this way, especially firms that operate in a traditional structure. However, with technology developing, the traditional way of doing things isn't always effective in the long term. 4% of partners are comfortable in their current jurisdiction and geographical area. They service current clients on a long term retainer 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 firms' 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.

Small to medium sized firms are looking to expand. 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. 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 as that of the larger firms.

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. This is usually an internal and discreet matter or an agency like GRM Search is briefed. 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 protect you from unnecessary negotiations and conflicts.

In the event of a partner moving from one reputable large firm to another, the picture could

differ. Many partners are approached by opposing counsel after they were successful in a matter or dispute against one another's clients. This does show signs of respect. For that reason, more than a handful of partners are moving between the large law firms in order to experiment the cultural fit at the previous competing law firm. One should be on the lookout within the restraint of trade clause for the wording 'mutual clients'. If you are unable to service mutual clients, then you might not be as an attractive asset to the firm that 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 may be within the current firm or when they are moving to a competing firm. As it has been in the past year, partners are more than likely to receive increases above the inflation rate. The equity payouts are sometimes in deadlock depending on the economic fluctuations or political instabilities. In the past survey, we did not take equity into account for obvious reasons of confidentiality.

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 who frequently ask 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 what industry the firms are focused on, this would have a ripple effect on traditional law firms in the long term. Energy companies in Johannesburg are already being advised by Californian law firms. As South Africa could open up the door into Africa, current partners should be on the lookout for great opportunities. With every international entry, we have noticed that the salaries rise in order to protect the firm from partners leaving with clients. One cannot expect this increase to last indefinitely. Our projection includes the possibility of African law firms merging in order to penetrate the entire market on the continent.

**Darius Zeederberg**