

Five Reasons for Law Firms to Succeed at Succession Planning

Law firm succession is an issue of our times. Thousands of law firms will wrestle with its difficult realities sometime within the next decade. For some the time has already come; and many firms simply are not prepared. Firms unsure about handing the keys to the next generation, risk repercussion in at least three important areas.

- **Client interests** can be harmed if a firm is inattentive to succession;
- **Attorneys and non-attorney personnel** may find their lives altered, sometimes significantly; and,
- A firm that is not addressing succession is leaving its **legacy** to chance.

Succession is an issue that is widespread. As the nation ages, so too do law firms. In *Law Firm Succession Planning: Do One Simple Thing*, Alan R. Olson reports that upwards of forty percent of practicing lawyers in the US are at retirement age. Many firms have actively practicing lawyers that are over 60 years old with some lawyers contributing after 70.

Even more concerning is that many of those 60 to 70 year old lawyers are important rainmakers on which their firms rely. And as reported by Altman Weil in a recent study, approximately 63 percent of all law firms have lawyers over 60 years of age that control at least one-quarter of firm revenue. But of the firms in the Altman Weil study, only thirty-one percent had adopted formal succession plans.

Despite the seriousness of the issue, succession is often only recognized when it is too late.

Two Areas of Focus

Two kinds of succession confront law firms: passing the reigns of leadership to the next generation; and the strategic transfer of client relationships.

When addressing the question of leadership succession a firm proactively seeks to identify, develop and transition management and leadership functions to the next generation. This should include a focus on management issues at the practice and section level, as well as leadership at the policy and strategy-making level. When it comes to appropriately tending to clients, client relationship succession addresses a planned and orderly transition of key relationships to individuals oriented and groomed to insure the best interest of the client. Neither is more critical than the other;

and both areas of succession pose significant and increasing challenges the longer a firm delays the conversations and processes necessary.

Succession solutions most often are found in the execution of one of two strategies -- **organic** and **transactional**. An approach that works solely with a firm's existing assets, capabilities, personnel and client portfolio are the cornerstones of the organic approach. A transactional succession solution looks outwardly to either merge a firm's practice into another firm or add a group of attorneys as the means for addressing succession issues. The choice of an approach is a firm-by-firm decision based on its circumstances, opportunities, needs and confidence.

Within the data, however, is the perhaps comforting fact that law firms facing succession challenges are not alone. It is the rule rather than the exception. In fact, because many firms have not tackled succession the firms prepared to address it in a decisive way may create for themselves an advantage over peer firms. In a legal marketplace that has never been more competitive, institutionalizing succession offers advantages that can be rewarding, as well as enduring.

The tangible benefits can be many, but five stand out and represent excellent reasons for proactively addressing the issue of succession planning.

Reason One -- It Strengthens a Firm's Bond with its Clients

Clients are not blind to the aging of the law firms they employ. They are concerned about both aspects of the succession discussion -- firm leadership and client transfer. Many clients have first hand experience in both the value and hurdles related to succession since, for them, consistent results from year to year depend on a seamless transition from one generation of their workers and leaders to the next. So when a law firm is deficient in addressing succession, it is not only noticeable but disconcerting to clients.

Think about it. Client interests over time depend on continuity, steadiness and reliability in their law firm. The prospect of death, departure, or retirement at a law firm creates risk that future matters will not be handled as in the past. Though the firm may be confident in its ability to handle any matters that come along, in the client's view there may be sufficient risk to consider taking its legal work elsewhere. By the same token, if the law firm has considered succession and has implemented a plan, risk to the client, and in turn to the law firm, is reduced.

The absence of a succession plan does not just create risk of a binary nature between client and attorney. A firm deficient in addressing succession is vulnerable to client poaching. The most loyal client's *greatest* loyalty is to its owners. If succession at its law firm is uncertain, the attorney/client relationship is susceptible to overtures from other

law firms. A well-constructed succession plan can help shut the door on inroads being made into valuable client relationships.

The mere process of creating a succession plan can add glue to the attorney/client relationship especially when a firm collaborates with the client in finding the right solution. Counseling with the client about the multitude of succession issues shows the client that its thoughts and interests are valued. The process can also unlock important information about your client's preferences, dislikes and upcoming opportunities. Rolling up the sleeves with the client in an effort to meet the client's needs never hurts.

Reason Two -- It Improves the Quality of Both Work Product and Workplace

When a firm starts a succession planning process, it stimulates activity and thinking that usually impacts, in a positive way, the firm's work quality and workplace environment. Simply put, the process results in a disciplined look at the things a firm does well, the things that need improvement, and the future initiatives that can help a firm achieve sustained if not improved success.

Succession planning always involves an introspective look at the reasons for the firm's past successes, firm owner and personnel desires and disappointments, client demands and expectations, and the tasks required to meet the future needs of all parties in interest, including the firm.

As the firm considers its clients and the look of an appropriate client transfer succession plan, a focus on client satisfaction is inevitable. That reflective look about prior performances relative to a firm's clients almost always leads to a commitment to improve performance in the present. The succession exercise and the identification of persons to whom the client baton will be passed also typically leads to processes, procedures and training that elevates a firm's work in the present.

Similarly, the initiative to create a good leadership succession plan often improves workplace quality. Like the effort to institutionalize a client transfer succession regime, the thought process about leadership succession prompts important self-examination. This examination considers the leader about to be replaced, his or her successful initiatives and good qualities as well as shortfalls and failures. The desire to build on the good and eliminate the bad spurs corrective action even if actual succession is years away.

Typically, the future leaders are assigned discrete leadership portfolios as part of an orientation / training / professional development process. Their involvement in firm management connects the rank and file to these new leaders, thus creating a better bridge between long-time leadership and a firm's people, including its owners. In the

end, the leadership succession process transforms a firm into one more attuned to its workplace ills, dynamics and needs.

Reason Three -- It Makes a Firm More Attractive to Talent

Law firms are in the talent business. The better the talent the better the firm, the clients, and the firm's reputation. Attracting talent is a key component of leadership's role at any firm and a firm's ability to succeed in the talent business can influence its direction for years to come.

There are many things that can make a law firm look good to the best lawyers. Client mix and quality, client matter sophistication, firm profitability, a pleasing culture, and the quality of its lawyers all contribute to a sense that a given firm is a desirable place.

Unfortunately, recent experiences at once well regarded law firms demonstrate that high grades on criteria that matter can be short-lived unless a firm has a strategy for preserving its market position long term. Security and stability at a firm are important to legal talent looking for a home.

So it is no surprise that as good as a firm looks in the present it will look even better if it instills confidence that its success is repeatable over time. A firm whose attention to succession planning is evident creates a higher likelihood of a future that is steady and secure. In an era where firm failures happen too often, steady and secure is appealing.

Beyond the sense of security a firm prepared for succession creates, it also evokes an aura of opportunity for the generation of younger lawyers getting started or just looking for a better home. For lawyers hoping to establish and build an enduring career, a firm that contemplates training its lawyers in leadership and client service skills can be very attractive. That coupled with the chance to experience leadership roles or meet the firm's clients presents a firm in a better light than does a firm that expects to address succession "when the time comes." Firms consistently failing to address succession issues risk putting the next generations of leadership in play, as the most talented are tempted by greener pastures.

Reason Four -- It Improves a Firm's Stability

A stable law firm does not create its calm by accident. It achieves its sense of *stasis* because it continually manages its business and its people, it constantly nurtures its clients and other relationships, and it resolutely strives for professional excellence. It considers its past while it thinks and acts on its present and future.

A firm that embarks on a serious succession project puts in motion an attention to detail that touches on the essential elements that make a law firm successful. The process compels an examination of a firm's legal work, its people, its clients, its market(s), its competition, its leadership and its future. Looking deeply into those elements fosters a vitally important depth of understanding about itself and its prospects. It is as tuned-in to its condition as a firm can be.

There is an old saying that "admitting you have a problem is the first step to fixing the problem." For many firms, especially the ones that eschew succession planning, the "here and now" creates a tunnel vision where it can be too late to take remedial action when problems emerge. In contrast, a firm that has committed to a succession process is far less likely to steer itself into a crisis. The initial succession planning, as well as the continual process to keep the plan relevant while the firm evolves, is beneficial in at least two obvious ways.

First, the firm with a succession plan is more likely to see the underperforming sectors or elements of the firm's that require attention. Second, by keeping abreast of the elements of a firm's performance it is more likely that any problems that surface will be fixable because they have not been allowed to fester. In essence, the firm that has the foresight to plan for the future is more likely to identify problems early, while effective remedies are available.

Reason Five -- It Helps Create a Legacy for a Firm's Generations

Whether a firm wants to endure for its owners, attorneys, friends, staff and clients is a matter that touches on a firm's culture and values. Firms that are indifferent to preserving a legacy can feel that way for reasons that can't be judged. A firm that wants to preserve its legacy, however, expresses its beliefs and values clearly and likewise without fault. For each firm, it is a "personal" decision that should withstand criticism.

Law firm owners that relish the idea that their firm continue after they are no longer active members can't expect a passing of the firm to the next generation as a matter of course -- certainly not in today's legal services market. The desire to realize the dream of preserving a legacy is greatly increased if time, effort, and planning are dedicated to addressing succession. Without that kind of commitment, preserving a firm for the next generation is a roll of the dice. For the firms and owners that truly value their firm and want to see the good it did continue into the future, succession should not be left to a game of chance.

Once the soul searching decision is made about a firm's future and it falls in favor of transferring leadership and client relationships to the next generation or to a carefully selected successor firm, hard work is required. But like a lot of hard work, it can be rewarding as the effort to preserve a legacy comes to fruition. The firm's legacy speaks

volumes about the people that contributed to its creation and even more about the leaders that sought to see it preserved. Long after they have passed, their legacy and values live on in the generations that have followed.

Conclusion – Succeeding in Succession

Today's law firm leaders face few challenges more daunting than addressing the issues posed by succession. It can be fraught with political ramifications, especially when the elder statesmen and long-term rainmakers of a firm wrestle with a desire to linger. As clients manage their own internal succession issues, bringing along younger decision makers, project managers and legal buyers, the pressure will mount.

But for law firms disciplined enough to stare into the opportunities of the future, finding success in strategic succession planning may be one of the critically important differentiators for a law firm and its lawyers in today's competitive market. Perhaps as importantly, it positions a law firm so it may give appropriate thanks as one generation of leaders gives way to the next.

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