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LAW FIRM CONSULTANTS

MOST FIRMS HAVE TALKED ABOUT SUCCESSION, BUT MANY ARE RUNNING OUT OF TIME TO DO SOMETHING ABOUT IT

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INTRODUCTION

With an estimated 30% of US law firm partners today identified as “Baby Boomers” approaching retirement, it is both reassuring and encouraging to hear, almost on a daily basis, announcements about new firm leaders being named. And if your firm has recently gone through the process of selecting and installing a new leader you should feel some pride and a sigh of relief – but, do not sigh too deeply.

We should note succession in law firm leadership is not limited to the role of the Managing Partner/CEO of the firm. Succession, in a labor intensive business like law firms must address the full gamut of positions where someone is expected to lead others – at the firm level, at the practice group level (for practice groups that focus on the disciplines of law or market segments served or both), at the professional development level, and at the client service level.

- If your firm has indeed successfully implemented a succession plan that addressed all of your requirements, you can take that deep sigh of relief and continue reading this, only if you want to see if there is something you might do differently the next time around.
- But if your firm has not yet addressed all of your succession requirements, you might want to continue reading to get a better sense of the steps necessary and the time required to develop and implement a comprehensive and needs based succession plan (at all levels of law firm management).

The Deadly Sins of Succession Planning Failure

My partner, Peter Giuliani, pointed out in his article “[*The Seven Deadly Sins of Succession Planning*](#)” ([*Law Practice Magazine*](#), Nov./Dec. 2015, published by the ABA Law Practice Management Section) that the “*firms that survive and prosper over time are those that have created a culture of legacy as opposed to a culture of individuals. Culture based on individuality and short term thinking cannot succeed*” in the long term and will ultimately sow the seeds of decline and destruction. “*Legacy cultures most often lead to multigenerational success.*” Indeed, recent studies have shown that the current boom in law firm mergers is being driven by smaller firms who no longer see a successful future as independently owned and operated enterprises.

The second deadly sin that Peter cited in his article was the “*failure to create and nurture the next generation of owners.*” Think about what would happen to a football team if every time the quarterback tossed a pass, the receiver was not in position to make the reception. Subsequent “*generations of partners must think and act like owners. They need to be involved in the firm and commit to building its future. They cannot do this in isolation.*” They will only learn and develop these skills by participating and learning by example.

The third deadly sin cited by Peter was the “*failure to address succession issues until it is too late.*” By maintaining an individualist culture for a considerable length of time, too many firms have discovered that they just do not have enough time to develop and implement a workable succession plan. And many of those firms find themselves confronted with a lease renewal that no one wants to commit to or discover that attempting a merger at such a late point in the history of a firm is not viable since most prospective buyers (merger partners) do not see value in a law firm with only super annuated partners and a cadre of junior associates.

The steps in developing and implementing a viable succession plan follow.

Define the Scope of Your Plan

Firm leadership needs to periodically look at all of their partners and prepare an inventory list with:

- Their ages and the expected timeline to their retirement
- Priorities set for those with retirement horizons in the near term (three to five years)
- Grouping of other leaders (those with longer horizons in three year increments up to a total of nine years into the future).
- The addition of new names as required every three years.

Set Requirements

Prepare current descriptions of the leaders' roles and responsibilities. These position descriptions will serve as the basis for your next step.

- Discuss with your current leaders and selected others in your firm what works about these roles and what could be done differently in the future to improve effectiveness and efficiency within the leaders' purview.
- If appropriate and beneficial, involve selected clients in these discussions.
- Also identify via these discussions what key traits and characteristics are evident in the incumbents that contributed to their success over time in their position of leadership.

Document Findings

When you have completed this process for the priority positions, document your findings.

- Prepare position descriptions – roles and responsibilities
- Prepare position specifications – characteristics, traits, and experiences
- Review the documentation with the relevant incumbents.

This step is critical if you want to avoid the next deadly sin cited by Peter Giuliani – *“failure to clarify the meaning of equity.”* As he stated previously, the legal profession has over time recognized the following indicia of partnership:

- Sharing in the profits and losses of the firm
- Contributing to and maintaining capital in the firm
- Having a say (or a vote) in the affairs of the firm
- Having an ownership interest in the net assets of the firm or of the residual estate if it dissolves.

All too often, equity is mistakenly perceived to mean sharing in profits and losses – having a piece of the pie. Successful firms and those that prepare carefully for successive generations know that young lawyers are developed to have an understanding of the privileges and accompanying responsibilities associated with owning a share of the business. Failure to educate, mentor and prepare the next generation to accept the full mantle of partnership in all of its aspects will ensure that succession fails in the long run.

Identify Candidates

When your documentation is completed, it becomes time to begin to identify possible candidates for leadership roles in the future. These roles include firm wide governance management and strategic thinking. But the positions to be considered filter all the way through the organization including practice areas, clients, and matter management as well. You can begin the identification process through observation and by speaking with others in the firm, including the incumbents and selected clients, if appropriate.

Start Development Process

As candidates are identified, your immediate goal is not to promote them but rather to develop them.

- You or a trusted colleague needs to be tasked with the responsibility of bringing the candidate along a path where their entrepreneurial skills become evident in their performance. This is critical because the fifth deadly sin is the failure to encourage entrepreneurship.
- Successful entrepreneurs, and most law firm founders can be classified as such, understand how to take calculated risks, how to build and lead a team, how to deploy people, physical assets and capital to create positive economic results.
- Each of these skills is necessary at the appropriate level for each stage of leadership in a law firm. In addition, successful entrepreneurs understand the principles of good business practices – timely billing and collections, cost control, client service and the need to keep matters moving through to completion.
- The law firm that lacks entrepreneurship at each stage of the leadership ladder is likely to find itself confronted with a critical shortfall in successive generations.

As the mentoring, training and development of future leaders gets underway, it is important that current firm leadership have accountability for each of the candidates under their purview. Targets should be established for specific steps to be taken, accomplishments to be achieved and dates for milestones and other steps to occur. The objective is more than ensuring that the required development is taking place, it is also to ensure that current leadership is taking all the necessary steps to avoid the sixth deadly sin – the failure to “let go” and trust others.

- As an example, succession planning and implementation at the client relationship level is focused on passing on existing client relationships to others, so that those client relationships have a higher probability of enduring. But we all have seen situations where those relationships are intensely personal or have been closely guarded by the “relationship” partner out of fear that their compensation will be negatively impacted if others become involved with the relationship.
- Similar issues arise when it comes to governance and control of the firm. Incumbents hang onto control because they do not trust likely successors to treat them fairly.

The resulting behaviors frequently lead to a point where incumbents become impediments to the adoption of new policies and initiatives that are of vital importance to the firm’s future. Incumbents who act in a protection mode, fearing what might happen if others were inserted into their client relationships exhibit a lack of trust that will eventually sabotage any effort at succession planning.

Training and Monitoring

This is a primary reason behind the need to do so much more than merely promote the most likely candidate into the leadership role in question be it at the firm management, practice group, or client management level. The final stage in the process of implementing a succession plan involves training the candidate. Give them roles and responsibilities that will help to prepare them for the ultimate position identified for them at each level of their development and growth.

Again, specific tasks, accomplishments, target dates and milestones should be established. Regular follow-up by firm leadership regarding the developmental progress of each candidate must occur. Leaders must be prepared to implement corrective actions when required to keep the development on course and to prevent the participants from abandoning the development program.

In fact, this helps ensure avoidance of the seventh deadly sin of succession planning - the failure to educate the next generation about the finances and economic realities of the firm. As leadership candidates progress through their learning and developmental cycles they will learn and demonstrate a better understanding of the skills and competencies required at each finite level they touch until, eventually, they can be brought into the full top down perspective of the requirements for leading and managing a modern law firm enterprise. They will have developed a sense of shared enterprise and teamwork that is essential in the twenty first century law firm.

As this process proceeds to a successful implementation of your plan, for the priority leadership positions you identified, you are ready to proceed with your next group of leadership positions that require succession.

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About Smock Law Firm Consultants

Smock Law Firm Consultants is a focused strategic management consulting firm serving law firms (our primary industry concentration), other professional service firms, and commercial entities. We help law firms address and resolve those key issues that have a major impact on a firm's near-term success and its long-term direction and focus. We focus on seven key areas of practice - (1) **strategic planning** at firm and practice levels; (2) **strategic plan implementation and execution**, in essence, helping clients do what they said they would do; (3) **mergers and combinations assistance**, helping identify, negotiate and implement combinations; (4) **practice/industry team management**, helping the team concept achieve its potential; (5) **law firm economics**, helping our clients improve profitability and deal with longer term financial issues; (6) **operational excellence**, improving both the effectiveness and efficiency of firm operations (i.e. - process improvement); and (7) **strategic management issue resolution**, assisting in resolving issues of vexing management concern (e.g. - partner compensation).

We believe there are three factors that clearly set us apart.

- The primary success factor for any consulting firm are the results achieved by our clients - in both the near and longer term. Our client references speak directly to those results.
- Our *first string* and, actually, our **only** string (Smock, Giuliani, and Fiebert) is, simply, **the most experienced group of senior consultants serving the legal profession**. These three partners bring a collective relevant experience of greater than 135 years and **each** has greater than 40 years of varying but relevant experience in law and professional service firm management.
- We tailor our approach to every consulting assignment to the unique needs and requirements of the client. We are known for our **originality and creativity** in doing that and for our scrupulous avoidance of promoting *law firm management dogma*.

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