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Addressing Succession

Anticipated partner retirements represent a looming management challenge. The US legal industry's large, aging population of rainmakers will be departing firms in large numbers over the next decade. In many cases, partners will leave having done little to transition clients to the next generation. The resulting loss or weakening of key client relationships threatens the financial health and competitive position of firms. Despite awareness of these risks, many firms remain uncertain about how best to approach succession in a more proactive and strategic way and to initiate discussions with partners about transition.

Why do firms struggle with transitioning work from rainmakers? Many firms continue to be shaped by founding values which encouraged high levels of partner independence. Autonomous cultures often undermine teamwork and the sharing of client relationships which are so critical in accomplishing seamless succession. In addition, law firm compensation systems tend to reward those demonstrating the highest levels of engagement in client work – a direct disincentive to those partners being asked to transition clients. Senior partners also often fear that their roles will be minimized if they transition clients, and the industry's premium on business origination only serves to reinforce that fear. Furthermore, there may be an element of denial with partners not wishing to acknowledge their retirement is looming, which is further complicated by firms shifting away from mandatory retirement policies. Consequently, under the existing law firm business model, the transition of clients from senior partners to the next generation represents an ideal, yet highly challenging, goal.

As a result of these inherent impediments to succession, we are regularly contacted by clients seeking guidance on partner and client transition. Through our experience in helping firms of various sizes and types address this challenge, we have gained insight into the most critical actions required for successful transitions. These include:

1. Talk about succession early, often and openly

For many firms, succession is a topic of much discussion and little concrete action. However, talking about succession is a critical first step. Many individuals fail to plan for retirement or anticipate what may be required in order to retire without disrupting the firm's practice. Facilitating this dialogue among partners is an important element in raising awareness within the partnership that succession planning is a business imperative.

2. Get partner buy-in on a process for retiring or phasing down

When left to their own devices, many partners retire slowly, and in this gradual process, do little to think or act strategically to best position the firm for retaining their client work over the long term. In addition, firms struggle with how these partners should be treated in terms of compensation, their status within the firm, and their overall role and expected level of contribution.

In order to effectively address succession, firms must develop a shared view among partners of: 1) the process for retirement and 2) the expectations of a partner seeking to retire. This will likely involve structuring a two-three year retirement/phase-down process, which lays out the timing, expectations, and compensation approach to be applied when a partner seeks to retire or phase down his/her practice.

For example, an increasingly common approach involves the adoption of a formalized retirement planning and transition process which requires a conversation between management and each partner starting at a specific age (usually at some point between 58 and 60). The purpose of this conversation is to begin an ongoing dialogue about the partner's individual career/professional goals and to map out a plan for retirement or phase down if necessary.

3. Develop a written plan for transition and for each client

Retirement/phase down plans generally involve multiple initiatives focused on collaboration and coordination between the retiring partner and the firm. In most cases, the retiring partner works with management to identify the successor(s) for a small number of key client relationships. The retiring partner and successor routinely work together on the client's matters and communications leading up to handover. In some cases, firms form 'client teams', introducing multiple lawyers to the client and adopting a 'firm' approach to cultivating the client. Regardless of the transition strategy chosen, the goal is to plan internal and external communications and activities which will best enable the firm to retain the client over the long term. This will involve asking the following questions:

- What feedback have we gathered from the client about their views of transition/succession?
- Have we built an effective and defined team to service each of our critical clients?
- Is a member of that team directing and energizing team efforts to drive succession and improve the client's satisfaction with the firm?
- What are the overall goals for the relationship which should guide the team's efforts and internal and external communications?

4. Drive retirement plan implementation through frequent follow up

A key component of success in implementation involves ensuring accountability for actively driving and supporting execution. This involves regularly meeting with partners to review and identify those things that they need to be doing in order to transition clients and contribute to succession. By actively managing these transitions, the firm will be better positioned to drive results, retain the value of a partner's contribution and relationships, and consequently, more appropriately compensate the transitioning partner.

5. Align incentives

In order to implement effectively a retirement process and engage partners in transitioning clients, firms must also ensure that the firm's compensation system clearly recognizes and rewards succession contributions. In many cases, this involves abandoning historic metrics, encouraging partners to delegate more (reducing their own billable hours) and transition client relationships (reducing their own origination). Clearly, to persuade partners to take such actions, partners must believe that they will be treated fairly and rewarded for successfully accomplishing these important objectives.

Conclusion

Implemented properly, a robust retirement process will help generate a shared understanding among partners about their duty to the firm to ensure succession and establish a protocol for how the firm should work with partners seeking to retire or phase down. Successfully implementing such a process requires active management, regular client dialogue and an aligned rewards system. These efforts, in combination, will assist firms in preparing for and managing the anticipated wave of upcoming partner retirements and thereby help to secure their client base and future financial health.

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