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Leadership Succession: Three Critical Steps

Succession planning appears to be one area where both law firms and corporations are underperforming. A 2014 survey conducted by the National Association of Corporate Directors found that two-thirds of US public and private companies had no formal CEO succession plans. These results closely reflect those of a similar survey reported in Harvard Business Review in November 2007.

As far as we are aware no such survey has been undertaken focusing on law firms, but our experience suggests that leadership succession is generally addressed only when it becomes a pressing issue rather than a carefully planned, ongoing board responsibility. Given that law firms are 'people businesses' where effective leadership is so critical to success, there is surely room for improvement.

Given the growing size and complexity of law firms and the ever more challenging and rapidly changing markets in which they compete we would argue that driving succession planning up the board agenda can only be beneficial.

It can of course be argued that succession planning is difficult to achieve in democratic partnerships where it is the partners who decide via a vote who their most senior leadership team members will be with any partner being able to put himself forward for election. There is some validity to this argument. And in many such firms partners are strongly opposed to relinquishing their role in deciding on their future leaders – apart from anything else, and in particular in larger partnerships, they argue that it is one of the very few, if not only, issue on which they truly have a voice.

But even in firms where the board or a nominating committee is charged with identifying firm leaders there is rarely a long-term focus on succession planning.

Getting it Right

Every firm has to operate in a way true to its values and culture and, of course, the wishes of its partners who ultimately are its owners. But irrespective of the how future leaders are chosen – selected or elected or somewhere midway between the two – we believe that firms can do far more in terms of succession planning.

Succession planning is multi-faceted and complex, with every firm having unique characteristics that influence it, but we believe firms can benefit from implementing the following three actions.

The first, and most important, step we believe that all firms should follow is to make succession planning not a reactive response to the imminent departure or end of term of the current incumbent(s) but be part of a continuous and broadly based framework of partner development. This helps ensure that the firm has a cadre of partners with the appropriate skills and capabilities; furthermore, this can help ensure that potentially strong candidates who may be lacking certain skills can be supported in addressing such gaps – this can be through providing such candidates with particular work-related experiences or through coaching or perhaps through specific training and education programs. Or perhaps a combination of several of these approaches.

This is far better done in advance of taking over a senior leadership role rather than once in it. Indeed, one refrain we hear often in law firms is that there are not very many partners who have the skills and confidence of their peers to step into a senior role. In many instances, this is less of a reflection of the partnership and more a function of a lack of investment in future leaders (including ensuring that they do have appropriate visibility within the partnership). While there may be a few partners who are naturally excellent leaders, for many people, leadership skills are honed over time through a combination of training and experience. And yet few firms have made thoughtful investments to nurture their next generation.
Secondly, we believe that firms should pay far greater attention to their future needs and the challenges they will be facing rather than largely focusing on their current needs and expectations - or loosely extrapolating from these. There are times

when a very strong focus on performance and financial discipline is critical and it is vital that this is reflected in the senior leadership. Equally, there are times when a more ‘visionary’ leadership style is required, or a firm needs a leader who excels in being able to bring people together and get the very best from them. And there are times when the primary focus needs to be on operational efficiency or even the ‘nuts and bolts’ detail. In reality, firms need to strike a balance between these differing characteristics rather than focus myopically on just one.

Considering carefully what is required given the position and future strategic challenges of the firm is key, particularly during a period of success when firms can easily fall into the trap of ‘more of the same’. Succession planning should focus on future market and competitive challenges and ensure that the senior leadership team has the appropriate strengths and characteristics. By way of example, a strong focus on efficiency and cost control has been critical for many firms over recent years but in the current market environment a more visionary approach may be required to identify new opportunities, broaden thinking and horizons, and stimulate growth. These two environments require different leadership strengths and not recognizing this can create challenges for firms that persist with just one focus. The vital point is that the business context is critical.

Thirdly, we believe that care is required to ensure that those responsible for succession planning guard against inadvertent bias. Again, firms must strike a balance between continuity and an ongoing need for fresh approaches. And while, of course, it would be almost always appropriate to involve the current senior leadership team members in succession planning, it is equally important not to place an inappropriate weighting on their views.

To minimize the chances of bias in succession planning, firms should consider involving partners with a diverse range of views. For instance, younger partners who have grown up in the digital age tend to have differing perspectives on issues such as the future delivery of legal services, the changing nature of client expectations, and other market factors. Involving senior level business services directors and potentially outsiders - such as a senior partner from the firm’s accountants or close clients or other trusted advisers to the firm - can also help. Involving such people does not mean that they are engaged in the final selection and decision making but they can help ensure that the thinking about what type of leader is required and the subsequent development of those identified as having the strongest capabilities has more of a 360° perspective. If succession planning is to have a strong market and competition focus – an outside-in perspective – then surely it is critical that this be reflected in the process through which at least initial identification and development is driven.

Moving Forward

In the past, senior partners and even chairmen were precisely what the term implied – the most senior partner in the firm in terms of admission to the equity – while managing partners were largely responsible for essentially administrative matters. While senior partners might have a somewhat external facing ambassadorial role, the focus of the managing partner was largely internal and in a stable, less competitive market, relatively undemanding.

These days are long in the past and the senior leadership teams today have roles and responsibilities that are vastly expanded and more demanding (and between firms often quite different). Today firms require ambitious, driven and passionate leaders - partners who can handle complexity, bring diverse perspectives to challenges, be sensitive to and incorporate in their decision making and leadership both the human dimension as well as data. They need the strength to be willing to disturb the status quo and recognize the need to address issues when they should rather than when they have to be. And they need to be able to do this within the context of the specific market and competitive challenges their firm faces.

Ensuring firms have the people to do this should not be left to chance or rely on the ‘best available and willing’ at the time but should be part of a carefully planned, properly resourced commitment to effective leadership planning and development.

London

Principal: Giles Rubens
giles.rubens@fairfaxassociates.com
44 (0)20 3633 3943

Washington

Principal: Lisa Smith
lisa.smith@fairfaxassociates.com
202.365.4180

California

Principal: Kristin Stark
kristin.stark@fairfaxassociates.com
415.215.9294