

## Succession Planning: Why Your Firm Should Do It and How You Can Help

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Succession is on every law firm leader's mind as it is on most law firm clients' minds. The demographic trends reflect the dire need to be doing more than just think and talk about it. According to the U.S. Census Bureau, eight adults per minute turn sixty-five. Currently, nearly 48 million Americans are sixty-five or older and by 2020, 40 percent of all workers will be retirement eligible.

### The Demographic Wave That is Hitting Law Firms

Lawyers and law firm demographics mirror this trend, perhaps even more so. The [Altman Weil 2016 Law Firms in Transition Flash Survey](#) indicates that 65 percent of equity partners are in their late fifties or early sixties and 63 percent of partners sixty and older often control 50 percent or more of their firms' business base. Add to this the fact that 78 percent of senior partners don't want to retire and 73 percent don't want to forfeit current compensation by transitioning client work.

To make matters more complicated, the Altman Weil survey found that only 31 percent of law firms have a formal succession plan process in place and not surprisingly, 59 percent don't feel well-prepared for the retirement and succession of Baby Boomers.

The most effective way for firms to steer through this demographic shift while preserving client relationships, revenue, and the firm's legacy is to engage in formal succession planning. While most firms believe this, actually engaging in conversations about succession planning and implementing necessary policies and programs can be difficult as this topic triggers many sensitive issues.

### How Effective Succession Planning Can Preserve Firm Profitability, Talent, and Legacy

To help you initiate some of these conversations with your leadership, we share some of the most pressing

reasons that firms should engage in succession planning sooner rather than later:

- While not a pleasant thought, none of us lives or can work forever. There are serious business risks associated with unexpected illness or death of law firm leaders and senior rainmakers.
- As with any business plan process, succession planning enables firms to better control the firm's future and manage downside risk.
- Putting a succession plan in place ensures the continuity of client relationships, revenue and the firm's legacy.
- Clients truly value the transparency and predictability that result from effective succession planning. Firms that engage in effective succession planning will enhance new and existing client relationships and differentiate themselves from their competitors.
- A conscientious, articulated succession plan is appealing to your top talent because it provides a clear pathway, ensures advancement opportunities, and identifies and nurtures high potential leaders and rainmakers early. It also attracts new talent to the firm.
- A formal and thoughtful process keeps boomer partners happy and productive and makes it more likely that those nearing retirement will effectively transition their clients to other lawyers within the firm.

### How to Help Your Firm Get Started with Succession Planning

There are real challenges and roadblocks that must be considered if you decide to suggest succession management initiative to your firms. Most people, and lawyers in particular, are fearful about retirement and mortality. For many lawyers, their entire lives and identities are rooted in practicing law and being a lawyer. Transitioning away from that is very scary to

many. Partners may have genuine concerns about the financial impact of retirement as a result of the effects of the 2008-9 financial crisis on retirement funds, second or third families to support, or just poor personal financial planning and management. Added to that are lawyer norms that partners like their autonomy and don't want to be forced into a discussion or policy about their clients and practice and finally an insistence that "No one can replace me" or "My clients don't want to work with anyone else" and therefore, transitioning relationships would pose a risk.

Below are ten steps that will help you overcome these roadblocks so that you can help prepare your firm for the succession challenges ahead.

### **10 Steps You Can Take to Get Your Firm to Develop and Implement a Succession Program:**

1. Recognize that developing a program is as much an art as a science, i.e., no two firms will be the same and no two lawyers will be the same. There are difficult and emotional issues involved which will require sensitivity and diplomacy.
2. Conduct a three or five year analysis of your partner demographics, their productivity contributions, and their client billings. Next to each partner, also attribute other key assets, e.g., management roles and skills, institutional knowledge, specific practice expertise, mentoring skills, external/community roles and visibility, etc.
3. Look at your top 50 clients over the past 3-5 years (remember that 80% of your revenue usually is produced by 20% of your clients) to identify which senior partners are associated with those clients, and hence, present a threat if lost or an opportunity if transitioned.
4. Make the financial case to management about the financial risk, the potential gaps in internal and external leadership, and the loss of intangible value if an important part of your cultural history and fabric.
5. Design a succession plan process that addresses client succession, leadership succession, timeframes and timelines, phase down options, compensation and incentives, how the program will be managed and by whom. Ideally, you will involve senior partners in the design of this program but at the very least, you must get their buy-in.
6. Align your succession plan with your overall strategic plan, mission and values. Once approved, share the essential elements of the plan with all partners and even with associates. This will demonstrate that the firm's succession plan is there to ensure to the long-term health and sustainability of the firm, and that is it part of the professional life cycle, not an end of life occurrence!
7. With each top client, and with each senior rainmaker, develop a client relationship, transition and opportunity plan, as well as a workload transition plan. Identify potential successors and others and introduce them to clients, then discuss these proposed plans directly with clients to get their input.
8. Assess the skills and roles that senior leaders and rainmakers currently have that will create gaps and develop a pipeline of future leaders and rainmakers who receive training and mentoring. If you truly do not have internal talent to fill these key skills and roles, you may have to hire laterally (even more reason to start this early so that high potential talent can be grown organically.)
9. Work with and support individual senior partners to keep them productive and happy as they move toward retirement. Find roles for them to play internally in training, mentoring, or pro bono or externally, in civic and community leadership roles or business development.
10. Take a close look at how you recognize and reward partners for transitioning clients, matters and relationships – it will be important to use phased compensation and other rewards to incentivize partners to do what will be in the best, long-term interests of the firm and the firm's clients.

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