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ORDERLY SUCCESSION OF FIRM MANAGEMENT

by Joel A. Rose

For twelve years, David Hammersly (Name has been changed) has been the Managing Partner of a 15+ attorney highly profitable, commercial litigation law firm. Two weeks ago, while spending a long weekend with his wife visiting their son in Boston, David experienced severe chest pains and was rushed to the hospital where he was diagnosed as having had a mild heart attack.

At 61 years of age, David Hammersly is unquestionably, the leader of the firm and responsible for generating a significant amount of client business. Supported by a committee and administrative managers, David makes most of the day-to-day administrative decisions. He is the partner who communicates decisions on firm organization and has the most influence in utilizing lawyer personnel and allocating money and other resources to the firm's advantage. In short, he is the chief planner, developer of policy, organizational manager and appraiser of results.

Surprisingly, though, there is no clear successor to David. The orderly succession of the firm's management has been discussed peripherally at partners' meetings. However, other partners are apprehensive to place this subject on the agenda because the phasing down of David's management responsibility is an unpalatable topic. Partners are apprehensive to bring-up this subject because it may be perceived that they are initiating a "power play" for his position.

David's partners realize that "the Hammersly era" cannot continue forever and that a successor will have to be chosen. However, most of the partners are willing to allow David to serve as managing partner as long as he is able. Furthermore, it is the consensus of the partners that no other partner could fulfill, as effectively as David, the leadership and management roles.

How David's firm and other law firms approach the succession issue will be influenced, in part, by (a) the firm's historical governance, (b) the personal characteristics, practice development, management and interpersonal skills and professional standing of partners, and (c) partners' perceptions of the abilities, skills, talents, interests and the personal and professional agendas of other partners.

It has been the author's experience that the governance of most organized law firms follow four evolutionary cycles which include:

(1) The Benevolent Dictator - This may be one or more of the founding partners or a strong domineering partner who has been appointed or anointed;

(2) Rampant Democracy - This cycle frequently follows the benevolent dictator and emphasizes the egalitarian philosophy of governance. Every partner is equal, to some extent, and is expected to "pitch-in" to do any job, and to attend every meeting and have opinions on most issues;

(3) Committee Leadership - This cycle which consists of committees and more committees, usually follows the democratic form of governance. Partners are assigned to those committees in which they may have an interest and skill or experience. Partners realize that too much attorney time is spent managing the firm and the results of their management efforts are frequently less than satisfactory. Coordinating the work of the several committees, determining who has authority to decide issues that overlap into the jurisdiction of other committees and getting committees to meet and to reach decisions are major problems;

(4) Centralized Management Characterized as Representative Democracy - This cycle is predicated upon having an executive committee and/or a managing partner, special purpose committees and partners willing to subordinate their independence, to some extent, for the benefit of the firm. Partners determine broad policy issues which are interpreted and implemented by the executive committee, the managing partner and other committees.

The length of time that a firm remains in one of the above governance cycles depends, to a greater or lesser degree, upon: the firm's economics; its culture; the traditional method of admitting partners - through the firm's career development program, lateral hires or combination; the method of allocating profits to the partners and how the system is administered; the personal characteristics, the rainmaking and professional skills of partners whose practice areas are profitable over an extended period of time; and how certain of the more influential partners are perceived by other influential partners.

Reasons for Planning Succession

Many law firms are growing, but some decay, some fragment, and some are absorbed by others. In today's highly competitive environment in which a firm's financial success depends greatly on the planning and organizational skills of its lawyer management, planning for the orderly succession for administrative and substantive management are critical issues. Planning for succession is important for the following reasons: (a) Expiration of a term; (b)

Changes in firm culture, which may affect its management style; (c) Dealing with changes in the personal and professional objectives of partners occupying management positions, planned departures, i.e., retirement and unplanned departures resulting from death, disability or other unanticipated reasons for departure.

Lawyer Management Training and Development

Failure to train younger lawyers as managers in both the business of law and the practice of law aspects of a firm can result in a disaster either from a "palace revolt", because the firm is unwilling to address the question and provide the opportunity, or from a decline in earnings and the exodus of key partners because the firm waits too long and ends up using untrained lawyers to undertake key management positions.

Law schools do not train or develop managing partners or lawyer managers, nor does doing excellent and complicated work for demanding clients. Highly competent attorneys do not necessarily make good managing partners or lawyer managers. Some of the best lawyers are the worst managers. It has been the author's experience that partners who are "loners" have traditionally been poor managers.

The better lawyer managers have a second sense for people and management, in addition to being good lawyers and possibly outstanding rainmakers. A retiring senior and former managing partner of a large New York City law firm told the author that one of the elements in his "quick-test" for assessing candidates to be his successor was how well that lawyer relates to and "gets along with" his/her secretary and young lawyers, as well as the other partners.

Many firms develop successors to management by delegating to selected mid-level and junior partners short term management assignments and by rotating these partners through various management areas to develop their general management skills rather than developing particular lawyers as specialists in specific management areas. These firms begin to train mid-level and junior partners by assigning short term, low risk management activities before entrusting them with key management jobs.

Management Skills

The following are recommended areas in which the management skills of mid-level and junior partners can and should be developed:

(1) Client relations, including origination, development and retention;

(2) Acceptance of new clients and matters and the management of

performance of legal work in substantive practice areas and sub-specialties;

(3) Associate recruitment, training and development of a personal and professional nature, promotion, evaluation and compensation and termination;

(4) Administrative staff organization, relationships and utilization;

(5) Budgeting for revenue, expenses, capital expenditures; billings and collections; financial and variance reporting and utilization of resultant financial data and management information;

(6) Technology including computers, software, other equipment and technical support from non-lawyer specialists;

(7) Leases, space utilization, negotiations and construction.

Techniques for Developing Skills

On-the-job-training is the most effective technique for developing and refining the management skills of mid-level and junior partners. Three of the most frequently used approaches for teaching management skills include being assigned to a committee, being elected or appointed to a position and serving as a member of a task force.

(1) Committee Membership: Mid-level and junior partners may be appointed or elected to serve on the management or other committees. Depending upon the form of firm governance, partners may be appointed or elected to represent various age groups and/or regional offices in multi-office firms. They may be chosen to serve on other committees such as marketing, associates, recruiting,lateral hires,administrative staff, financial, ethics or the management committee, etc.

(2) Appointed positions: Partners may be appointed to manage functional areas of administrative or substantive firm activity. For example, a partner may be appointed to chair a practice area or one of its sub-specialties. Another one may chair the marketing committee. A third may serve as the firm's ethics partners. Etc.

(3) Task Force: A partner may lead a task force to address a specific issue or function. For example, a partner may be requested to recommend new or emerging practice areas. Another may explore the feasibility of establishing a new regional office. A third partner who has an interest or background in technology may direct the firm's automation effort, etc.

The mid-level or junior partner selected for training should receive administrative assignments and his or her performance should be evaluated accordingly. Each lawyer manager should be requested to develop a plan for the year, including goals and proposed action plans for accomplishing their objectives. They should be required to review these plans with the head of the committee or the partner to whom they are accountable. Partners who are appointed or elected to specific positions should be accountable to a partner or committee responsible for their actions and be evaluated on their performance. Many law firms consider the success or failure of partners in planning and implementing administrative assignments when recommending or setting their compensation levels. This is done to encourage the firm's "best and brightest" partners to accept administrative assignments and not feel uncomfortable because they may record fewer billable hours. Also, it would be wise for the managing partner or executive committee to identify and provide other non-monetary forms of recognition to successful lawyer managers, i.e., a "pat on the back" in public.

Planning for the orderly succession of lawyer management calls for the ability of the current managing partner or members of the management committee to spot leadership and management potential among the partner complement. Once this potential has been identified the current management must nurture and develop this potential so as to provide the future leaders of the firm.