



MPF FEATURED RESOURCE

PARTNER COMPENSATION KEYS TO COMPENSATING SUCCESSION AND CLIENT TRANSITION

by

Andrew Jillson

Hayse LLC

and

John Remsen, Jr.

TheRemsenGroup

November 18, 2015

TheRemsenGroup

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Partner Compensation

Keys to Compensating Succession & Client Transition

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November 5, 2015

HAYSE LLC

TheRemsenGroup
Smart Strategies for the Forward Thinking Law Firm

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BACKGROUND, EDUCATION AND PRACTICE

Andy Jillson is a co-founding member of the Dallas business advisory firm of Hayse LLC. At Hayse LLC, Andy works with law firms facing transition by advising on restructures, repositioning, succession planning, mergers and closures. Prior to forming Hayse LLC, Andy practiced law for over 34 years with two law firms where his practice concentrated on corporate, restructuring and bankruptcy matters. At one of his prior law firms, he served for nearly a decade in a management capacity. He also currently is Of Counsel with Rochelle & McCullough, L.L.P.

Before practicing law in Dallas, Andy earned a B.A. from Virginia Polytechnic Institute and State University and a J.D. from the Marshall-Wythe School of Law, College of William and Mary where he was a law review notes editor. Following law school, Andy clerked for the Honorable Dean M. Gandy, United States Bankruptcy Court.

Over his legal career, Andy has published a number of articles on creditors' rights, bankruptcy and restructuring. More recently, he has written extensively on issues that are important to law firms facing transition, much of which can be found at www.managinglawfirmtransition.com.

In his spare time, Andy enjoys family, playing golf and sports such as hockey, golf, college football and baseball as a spectator.



BIOGRAPHICAL PROFILE

John Remsen, Jr. - President

John Remsen, Jr. is widely recognized as one of the country's leading authorities on law firm leadership, management, marketing and business development. After serving as in-house marketing director at two major law firms, John formed TheRemsenGroup, a consulting firm that works exclusively with law firms to help them develop and implement long-term strategic objectives to improve cohesiveness, performance and profitability. Since 1997, he has worked with over 325 law firms and thousands of lawyers. Most of his clients are mid-size commercial law firms, ranging in size from 15 to 200 lawyers.

John is a frequent speaker and author on law firm leadership and marketing topics. He has spoken at national and regional conferences of the Legal Marketing Association, the Association of Legal Administrators, American Bar Association and numerous state and local bar associations. His articles have appeared in such well-respected publications as *ABA Journal*, *Asian Lawyer*, *Florida Bar News*, *For the Defense*, *Law Practice Management*, *Law Practice Today*, *Lawyers Weekly*, *Legal Management*, *Marketing for Lawyers*, *Marketing the Law Firm*, *Managing Partner*, *New York Law Journal*, *Rainmaker's Review* and *Wisconsin Lawyer*.

In the late 1990's, John served on the national Board of Directors of the Legal Marketing Association (LMA) and was President of its Southeastern chapter for three years. Under his leadership, the chapter was recognized as LMA's Chapter of the Year in 2001. In addition, he was Executive Editor of *Strategies*, LMA's monthly newsletter. He also served on The Florida Bar's Standing Committee on Advertising for six years and was the only non-lawyer appointed to serve on its 2004 Advertising Task Force.

In 2001, TheRemsenGroup launched The Managing Partner Forum, the nation's richest source of information and the most highly acclaimed conference series for leaders of mid-size law firms. More than 1,000 managing partners from 800 law firms in 42 states have participated in 24 leadership conferences. Designed exclusively for law firm managing partners, the MPF has expanded from its original geographic base in Florida to present programs in Atlanta, Boston, Chicago, Dallas, Denver, Houston, Philadelphia, St. Louis and San Diego.

In 2007, John was appointed to serve as a core member of the ABA's Law Practice Management Section. In 2008, he was appointed to serve on the ABA's Education Board. Since then, he has contributed numerous articles to various ABA publications and has been a featured speaker at ABA meetings and conferences throughout the country.

In 2013, John was elected as a Fellow of the prestigious College of Law Practice Management in recognition of his twenty five years of demonstrated expertise in law firm leadership and management. Founded in 1994, the College honors those who "inspire excellence and innovation in law practice management." Membership is by invitation only and includes just 200 individuals.

A native of West Palm Beach, Florida, John holds an MBA degree from The University of Virginia (1985) and a Bachelor's degree in Business Administration from the University of Florida (1980). Prior to attending graduate school, John was Executive Director of The Florida Council of 100, an organization consisting of Florida's top CEOs and business leaders.

August 2015

PARTNER COMPENSATION: Keys to Compensating Succession & Client Transition

Andy Jillson and John Remsen, Jr.



PARTNER COMPENSATION
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Andrew Jillson
Hayse LLC – Dallas, TX

John Remsen, Jr.
TheRemsenGroup – Atlanta, GA





ANDREW JILLSON

- Director: Hayse LLC
- Previous: Hunton & Williams, LLP
- Advising law firms on transition issues since 2004
- Speaker: University of Pennsylvania Law School, University of Texas Law School, State Bar of Texas
- JD – College of William & Mary
BA – Virginia Polytechnic and State University





JOHN REMSEN, JR.

- President, TheRemsenGroup
President & CEO, Managing Partner Forum
- Previous: Gunster, Porter Wright
- More than 350 law firms since 1997
- Speaker: American Bar Association, Association of Legal Administrators, Legal Marketing Association, MPF Annual Conference, LF Networks
- Education: MBA – University of Virginia
BSBA – University of Florida



PARTNER COMPENSATION: Keys to Compensating Succession & Client Transition

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Today's Session

- The Lawyer Personality
- Firm Ownership, Leadership and Governance
- Knowledge and Expertise
- Clients, Prospective Clients and Referral Sources
- Compensation for Client Transition







Long-Term Trends

- The Economy Is Globalizing – So Are Law Firms
- Technology Is Expanding/Improving at Breakneck Speed
- Clients Are More Demanding
- Competition Is Much More Aggressive
- BigLaw Is Getting Bigger
- Disruptors Will Continue to Proliferate
- Record Level of “Merger & Acquisition” Activity
- Successful Law Firms Run More Like Businesses, including Succession

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Lawyer Personalities

- Highly skeptical
- Hate change
- Risk averse
- Love autonomy
- Low resilience
- High sense of urgency

Source: Dr. Larry Richard – LawyerBrain, LLC

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INSTEAD OF RISKING ANYTHING NEW,
LET'S PLAY IT SAFE BY CONTINUING OUR
SLOW DECLINE INTO OBSOLESCENCE.

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Your Firm's Priorities


- Recognize Reality
- Embrace and Lead Change
- Develop a Firm-wide Strategic Plan
- Make Succession Key Part of Strategic Plan
- Invest in Clients
- Invest in People
- Invest in Firm









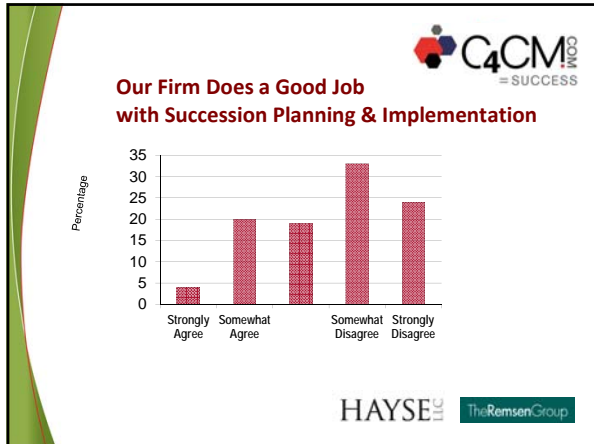
MPF Survey Highlights

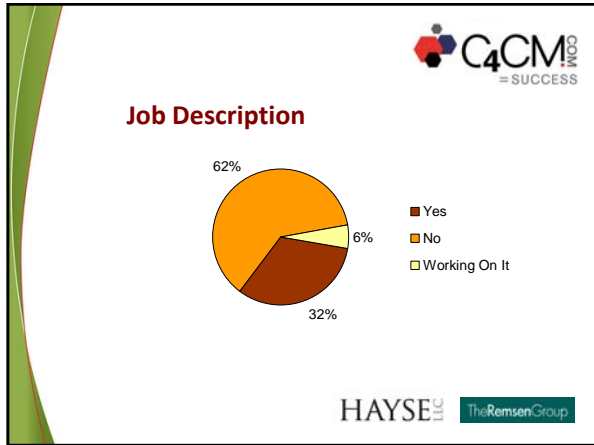
- Forums in Atlanta and Chicago
- Audience polling technology
- 160 survey participants
- Firms with 10-2,200 lawyers
- 60% had more than 50 lawyers

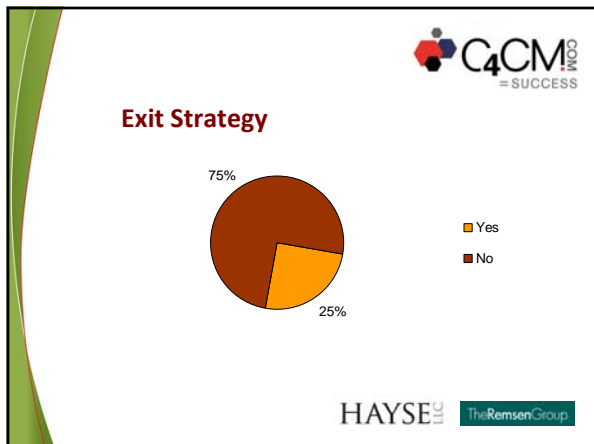
 

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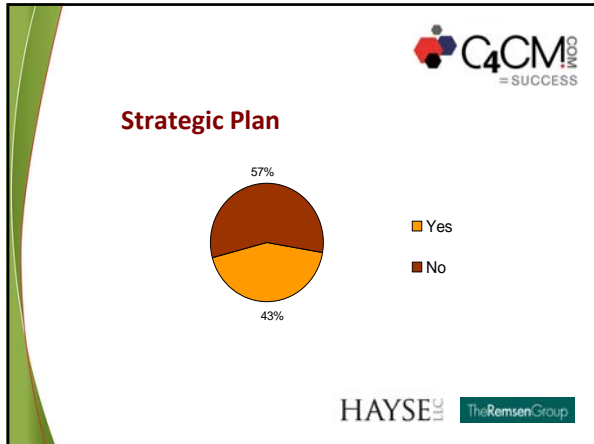


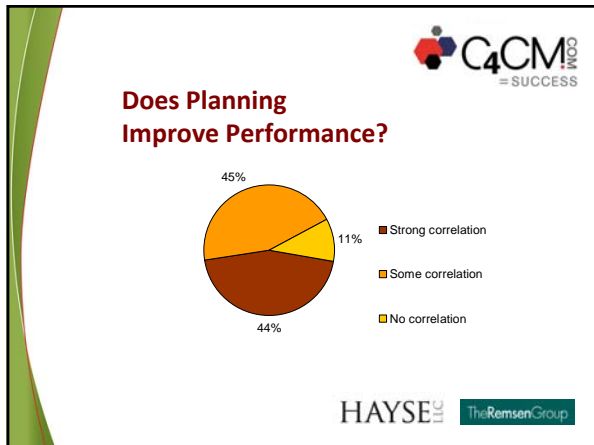




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A Few War Stories

- Alabama Boutique Firm
- Tennessee Insurance Defense Firm
- Small Boutique with Fortune 100 Clients
- National Firm Dealing with Founder's Transition
- The New England Full-Service Firm
- Of Counsel and In-House Deals

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Firm Ownership

- Dynamos vs. Coasters
- Mandatory Retirement, Of Counsel Role
- Two-Tiered Partnership Structures
- Criteria for Partnership
- Votes to Admit and Expel
- Votes to Amend Partnership Agreement





Leadership and Governance

- Managing Partner (CEO)
- Firm Administrator (COO)
- Executive/Management Committee
- Department Heads, Practice Group Chairs
- Committee and Task Force Chairs
- Organizational Involvement





Knowledge and Expertise

- Mentoring Role for Senior Partners
- Legal Skills (Billable) – Quality Work, Great Results
- Firm-Building Skills (Non-Billable) – Marketing, Leadership
- Processes and Procedures
- Forms and Documents
- Technology Support



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Clients, Prospective Clients and Referral Sources

- Clients Hire Lawyers, Not Law Firms
- Introduce Younger Lawyers
- Client Teams
- Industry Practice Groups
- Generational, Gender Considerations
- Transition Plans for Senior Lawyers
- Supportive Compensation System





The Perfect Compensation and Succession Culture

- Firm's succession planning is institutionalized
 - Senior attorneys expect their practice to be transitioned
 - Firm history of successful transition
 - Compensation and succession plans are embraced
 - Long term preparation for succession of client relationships
 - Active client involvement
- Succession is a time for thanks





Today's Compensation and Succession Reality

- Succession is not institutionalized
 - Execution is "one off"
 - Personalities and their silos dominate
 - Reactionary, short fuse transition planning
 - Pool of successors shallow
 - Client involvement inadequate
- Attorneys want or need to work longer
- Attorney and client movement a constant threat



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Compensation and Succession Continuum

Inadequate Institutionalized

WHERE IS YOUR FIRM?

NOTE: According to the Altman Weil 2015 Law Firms in Transition survey, only 31% of law firms have a formal succession planning process.

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The Look of a Fair and Successful Compensation Agreement

- Addresses key elements
 - Recognizes needs, position and personalities of primary players (Warhorse, Thoroughbred, Racetrack, Client)
 - Addresses motivations of primary players
- Reaffirms confidence in leadership
- Sharable with other owners of the firm
- Consistent with culture
- Provides a precedent that is adaptable in the future

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Planning and Timing of Retirement and Succession Compensation Plan

- Never too soon
- Planning at firm level first. Identify:
 - Personality
 - Financial circumstances
 - Quality of client and colleague relationships
 - Profitability
 - Lateral history
- Create collaborative atmosphere/joint negotiation
- Learn from history and others

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Best Practices In Building Succession Compensation Plans

- Aric Press - *Is it Time for You to Go, Joe?*
 - Five best practices
- Additional best practices
 - Admiration and thanks are important
 - Long-term view is essential
 - Each plan is building block towards institutionalization


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Real Life Examples of Success

- Despite aspiration to be consistent, "one size does not fit all"
- Real life examples:
 - Small firm boutique with Fortune 100 clients
 - National firm providing for Founder's transition
 - Of Counsel deals (annually negotiated)
 - Glide path
 - In house

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Implementation Steps to Develop Plan with Workload Reduction

- Using data, demographics and client relationship projections, develop pro forma plan
- Meet with Warhorse to gain additional perspectives
- Revise original plan, reach understanding with Warhorse
- Consider approaching client, including thoughts on successor
- Approach successor, finalize plan, seek institutional approval

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Firm Size and Practice Implications



- Small firm-typically less prepared, pool smaller
- Larger firms-preparation more likely or expected, pool larger
- Need adequate subject matter expertise to step in
- Need adequate client relationship skills to step in





Funding Succession and Transition

- General operating funds (unfunded retirement plans)
- Cash flow (percentage of collections)
- Insurance products
- Return of capital
- Tattoo removal





Meeting Lawyer, Client and Firm Needs and Expectations

- Extensive planning and research essential
- Avoid paying double (exception/loss-leader)
- Be willing to say good-bye
- Build trust through open dialogue
- Preserve culture
- Transparency with ownership



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Managing Transitioned Partners - Retirement v. Part-Time

- Retirement
 - Unfunded retirement plan, 401(k), Glide-path plan
 - Retirement plan funding considerations
 - Non-compete
 - Does overall succession plan sustain client relationships?
- Part-time
 - Any impact on retirement plan entitlements?
 - Will part-time work allow transition of relationships?
 - Is reality full-time or no-time?
 - Does part-time meet financial and client relationship needs of firm?


 



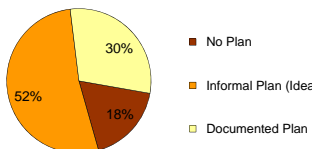
MPF Online Survey

- November 2014
- 85 managing partners
- Article in ALA's *Legal Management Magazine*



 



Succession Plan by Position Managing Partner

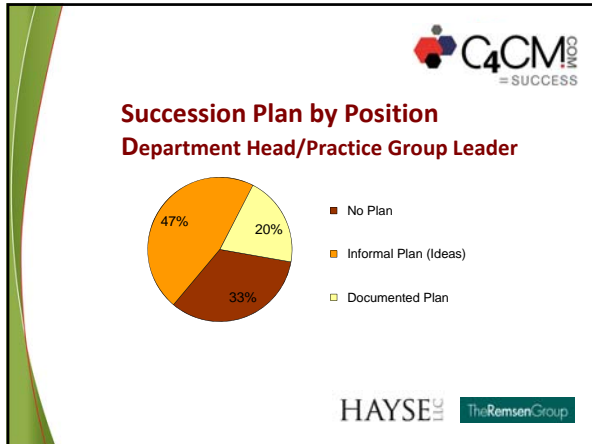


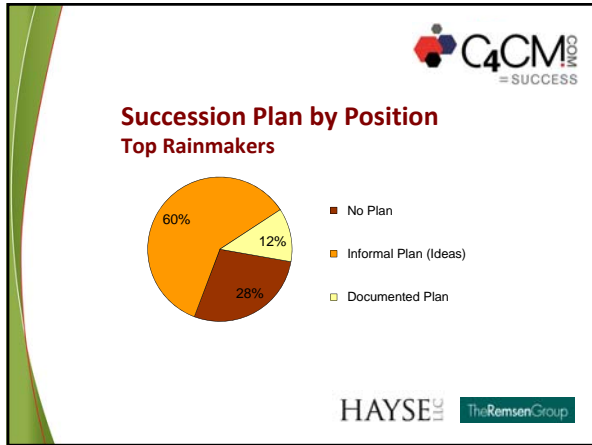
- No Plan
- Informal Plan (Ideas)
- Documented Plan

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-
- Ten Take-Aways**
- Know Your Firm, including Partnership Agreement
 - Promote and Encourage "Firm-First" Culture
 - Think Long-Term
 - Circulate Timely and Relevant Articles
 - Bring the Conversation to the Table
 - Know the Personalities Involved
 - Incorporate Succession into Firm-wide Strategic Plan
 - Institutionalize Firm Policies and Procedures
 - Visit Clients on a Regular Basis
 - Measure and Reward the Desired Behavior
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SEPTEMBER 9, 2015 BY **ARIC PRESS**

1 COMMENT

Is it time for you to go, Joe?

With the first wave of the Baby Boom about to turn 70, firms are asking the hard question, earlier and earlier.

It's the most famous retirement conversation in American legal history. In 1896 Justice Stephen Field, then in his thirty-third year on the U.S. Supreme Court, was slipping badly. His worried colleagues sent John Marshall Harlan to remind the 80-year-old that two decades earlier he had urged another failing justice to retire. As the

story goes, Harlan found Field dozing in the robing room, woke him gently, and asked if he recalled the episode. Field looked at him with what has been described as "blazing" animus and burst out, "Yes! And a dirtier day's work I never did in my life!" Harlan retreated and Field remained on the court for another year, setting a longevity mark that lasted until William O. Douglas' tenure.

I was reminded of the Field story recently as I listened to a group of managing partners talk about their versions of the Dirty Conversation. These talks are prevalent now throughout



Big Law. The pig in the python—the metaphor for the Baby Boom generation moving through American life—is coming to the end of its run. Next year, the oldest Boomers will turn 70, and behind them comes an age wave that will inundate farewell-party planners for the next decade.

What was striking about the discussion was the ubiquity of these conversations. At best they seemed to be regarded as necessary evils. When they went well, they led to graceful handoffs of clients and peaceful reductions in partner points. When they went badly they prompted Charlton Heston-style histrionics: I'll give up my clients when you pry them from my cold dead hands! Despite the awkwardness there was an understanding that unless law firms repeal the iron laws of demography and aging, they had no choice but to pursue them. Firms might run from the Reaper, but they couldn't hide.

What are the best practices in this area? There seemed to be five.

- First, firms need to understand their demographic situation. How old is the partnership? What's the work history of each partner over the last five years? How much business do the Boomers still control? Nothing organizes the mind, one lawyer put it, like discovering that 60 percent of our business was controlled by partners 60 years old or older.
- Second, firms need to start these conversations early because they are difficult. For many lawyers, their work is their life and they may not want to go gently away. And even those who look forward to stopping can't miss the intimations of mortality that are encroaching. (Of course, my friend, everyone needs an estate plan but you don't really expect I'll ever have to use it, do you?) By starting early with their partners, whether at age 55 or 60, firm leaders can eliminate some of the drama and make the end of a partnership seem a natural, expected transition. Of course by starting early some firms may spook colleagues to leave prematurely. But I assume that firm leaders already keep a list of flight risks, of those who can't afford or bear to contemplate stopping: the 60-year-old who has just started a third family or the pal partner who has not taken a vacation since making partner in the first Reagan administration. The needs of those outliers can't govern the firm's policy, at least not at most places.
- Third, when it comes to clients, firms must not assume that they will blithely designate a successor. The general counsel of a Fortune 25 company grimaced the other week when he recounted to me how he's weaning his company from his

primary outside IP counsel. The lead partner is in his late 60s. He had made a few efforts to introduce younger colleagues but the GC didn't think they were good enough to handle the work. So, slowly and quietly, he was diverting new engagements to other firms. His long-time counsel was secure for as long as he cared to practice, but when he closed his office laptop for the last time, the relationship with the client would be over. It turns out that clients can read a calendar too. And they never want to be taken for granted. Transfers of relationships, if they happen, take time and effort. And that process, like the rest of the relationship, needs to be managed and assessed. Another reason to start early.

- Fourth, firms need to strive for consistency even when exceptions are made to whatever policy is in place. This will contribute to a sense of fairness, which, leaving aside potential liability issues or bruised feelings, is something to which a fellow partner ought to be entitled. Some firms, typically lockstep partnerships, draw a clear line. No exceptions: you may keep an office but otherwise you're done. Many firms offer leeway to managers who don't care to push out older but still productive partners. Those firms need to be able to explain those decisions and treat them as precedent.
- Fifth, these exit strategies send a powerful message about the firm's culture and expectations. At the discussion I attended, some firms proudly said that they did not have a firm wide policy. Instead they tried for meritocratic decisions based on each partner's performance and continuing contribution. These tended to be smaller, often one-office shops, ones where name partners still walked the halls, though occasionally using canes. These firms were sending a message about how their partners could expect to be treated. So was the mega-firm that started the exit glide paths at age 63 and expected them to land by age 66. Their partners needed to get out of the way for those coming behind; it's what their institution needed. They too were sending a message about their community and its expectations. Or, to put it differently, how firms help partners end their careers will speak loudly to younger partners about what the rest of their working lives may look like.

The good news in all this is that leaving a firm is not the moral equivalent of dying. With health, wealth, and a newly discovered taste for a little risk, lawyers can move to reward and valuable work. Firms can help. Ignoring the issue isn't the preferred choice. Stephen Field was wrong.

Filed Under: [AmLaw 100](#), [Big Law](#), [Law Firm Culture](#), [law firm management](#) Tagged With: [aging](#), [client relationship](#), [exit strategy](#), [retirement](#), [transitions](#)

Comments



Roberta Montafia says

September 9, 2015 at 4:07 pm

I look forward to reading what I know will be well written provocative pieces from you both. Congratulations.

Roberta Montafia

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MPF FEATURED ARTICLE

PLANNING FOR THE FUTURE

WHEN IT COMES TO SUCCESSION PLANNING, LAW FIRMS HAVE PLENTY OF ROOM FOR IMPROVEMENT

by

John Sterling
Sterling Strategies

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January 6, 2015

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LEGAL MANAGEMENT

THE MAGAZINE OF THE ASSOCIATION OF LEGAL ADMINISTRATORS

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LEGAL INDUSTRY/BUSINESS MANAGEMENT

Planning for the Future

When it comes to succession planning, law firms have plenty of room for improvement

It's a sad fact that 70 percent of first generation firms do not survive their founding partners. It's unfortunate to see once great law firms fall apart. Yet, we see it all around us. The reasons vary, but most often it's due to a lack of a thoughtful, deliberate succession plan.



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STERLING

Succession planning and management involves actively preparing for the transition of leadership — be it the transition of managing partners and other lawyers holding leadership positions; succession of client relationships from rainmakers and client relationship managers; or senior administrative positions.

Succession planning generally serves two purposes. First, it enables a law firm to prepare for orderly transitions of key positions and major client relationships. Second, it prepares the firm for the untimely and unplanned loss of a critical leader as the result of unpredictable events, such as lateral poaching by search consultants, health issues or sudden death.

In October and November 2014, The Managing Partner Forum, in affiliation with Sterling Strategies and TheRemsenGroup, conducted an online survey about succession planning in which 85 managing partners — mostly from smaller and mid-size law firms — participated. The results serve as the foundation for much of this article on a most important, yet often neglected, topic.

LONG RANGE SUCCESSION PLANS

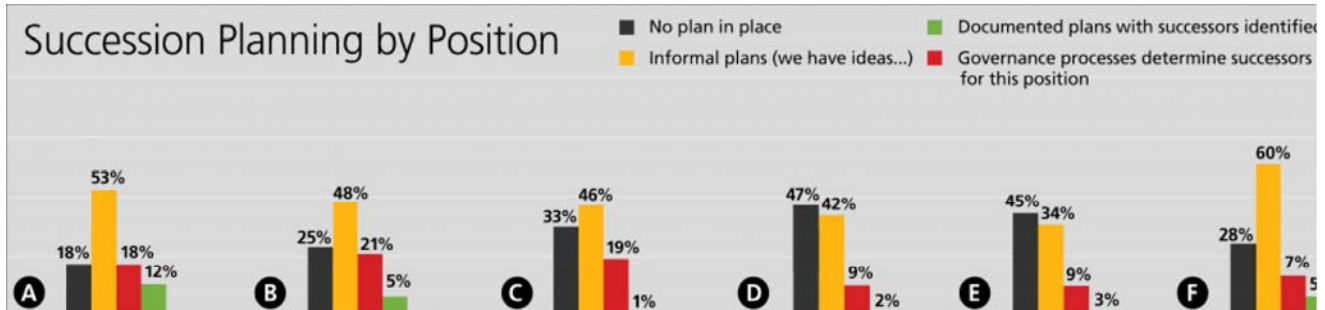
Longer range succession plans are helpful in managing the transition of a number of positions in a law firm. Most obviously, firms ought to have plans in place for the succession of leading lawyers, such as managing partners and chairs of executive/management committees. In addition, firms should have succession plans for C-level administrative leaders (at a minimum).

Unfortunately, our survey found that most law firms are doing very little effective succession planning. For example, only five percent of firms we surveyed said they have a documented succession plan in place for their top five client relationship managers. However, 60 percent said they have informal plans or ideas in the works for these employees.

In addition to planning for the transition of leadership roles and positions, firms should also plan

for the effective transition of other important contributions senior lawyers bring to their law firms. That includes transition of:

- The knowledge and expertise of senior lawyers via training, mentoring and knowledge management systems
- Client relationships cultivated and managed by senior lawyers
- Involvement in broader networks — especially leadership roles in community/civic organizations, prominent philanthropic causes, professional associations and industry groups



A: Managing partner (or his/her equivalent)

B: Chair of executive/management committee (or his/her equivalent)

C: Practice group leaders

D: Chief operating officer/firm administrator (or his/her equivalent)

E: Other director level administrators

F: Top five business originators/client relationship managers

EMERGENCY PLANS

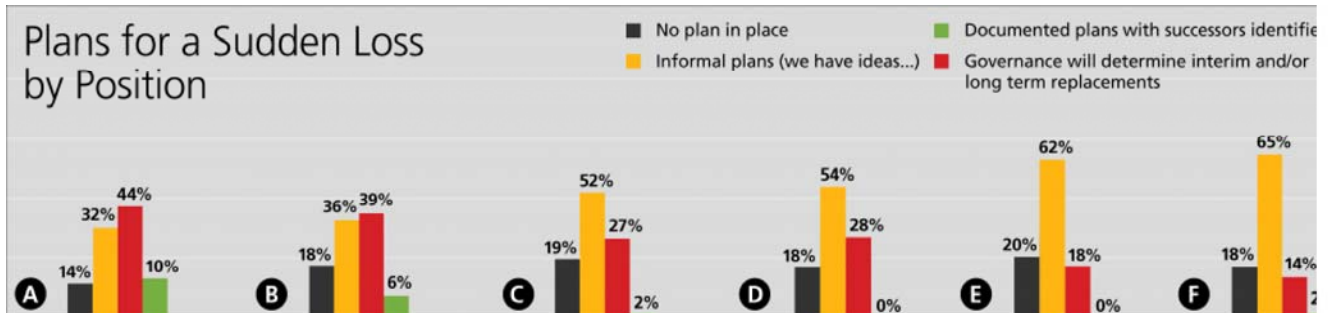
Generally speaking, longer range succession planning and transition should be managed over a period of years, not months. However, that is not always possible. At Wyatt, Tarrant & Combs, a 200-lawyer firm based in Louisville, Kentucky with six office locations, their managing partner stepped down suddenly in the mid-2000s after being seriously injured in an auto accident. So, when Managing Partner William Hollander was entering his final year of his second term in 2013, he committed himself to making an early decision regarding whether or not to serve another three-year term. When he made a clear decision in May to pass the torch, the firm had seven months to seek a successor and manage the transition. Current Managing Partner Franklin Jelsma noted the transition was “orderly and cordial... We had the transition lined up by the end of summer.”

With all that said, having a clear plan and process in place for succession management also prepares firms for the sudden, unexpected loss of important leaders. At a minimum, firms ought to have an idea of who would replace their managing partner and the leaders of their most important practice groups. However, that does not appear to be how they practice. Only 10 percent of firms have documented plans in place in the event their managing partner suddenly departs the firm. And the numbers are even lower for replacing other leading positions in the event of an emergency departure; in fact, none of the firms we interviewed said they had a documented plan in place should their chief operating officer or other director-level administrators suddenly depart the firm.

These survey results make clear that firms are not at all well prepared for the sudden loss of important people in their organizations. Overwhelmingly, firms will simply muddle through if they unexpectedly lose key people. There is small solace in having a governance system that provides a mechanism for electing a new chair and/or managing partner – the change is still sudden and disruptive.

BEST PRACTICES FOR SUCCESSION PLANNING AND MANAGEMENT

The point of planning now and not later is underscored by Dr. Larry Richard, the world's leading psychologist on the lawyer personality. "People naturally start to slow down when retirement is in sight. Productivity suffers. Chronic underperformance eventually sets in," he says. "Over time, firm profitability declines and young up-and-comers start to leave. A 'psychological energy' is established and starts to infect the firm's culture." Neglecting the issue of succession, he says, can be detrimental to the firm. So where can we start?



A: Managing partner (or his/her equivalent)

Managing partners and senior staff

A number of practices can help with planning for the succession of managing partners and other senior leaders. Best practices include:

B: Chair of executive/management committee (or his/her equivalent)

- Developing management and leadership capabilities via a series of less demanding roles, such as committee chair, practice group leader or executive committee membership
- Sending prospective leaders to executive leadership programs at leading business schools
- Naming a deputy managing partner or a managing partner-elect to allow for a year or more of active transition
- Leveraging professional development resources available through the ABA's Law Practice Division
- Involving prospective future firm leaders in peer groups or international networks, such as Meritas, ALFA (American Law Firm Association) International, Lex Mundi or TAGLaw

C: Practice group leaders

D: Chief operating officer/firm administrator (or his/her equivalent)

E. Other director level administrators

F. Top five business originators/client relationship managers

Generally speaking, law firms are not taking advantage of these resources to manage leadership succession deliberately. However, according to the following chart, firms do appear to make good use of executive or management committees to provide continuity — as well as using them as a source for the next managing partner.

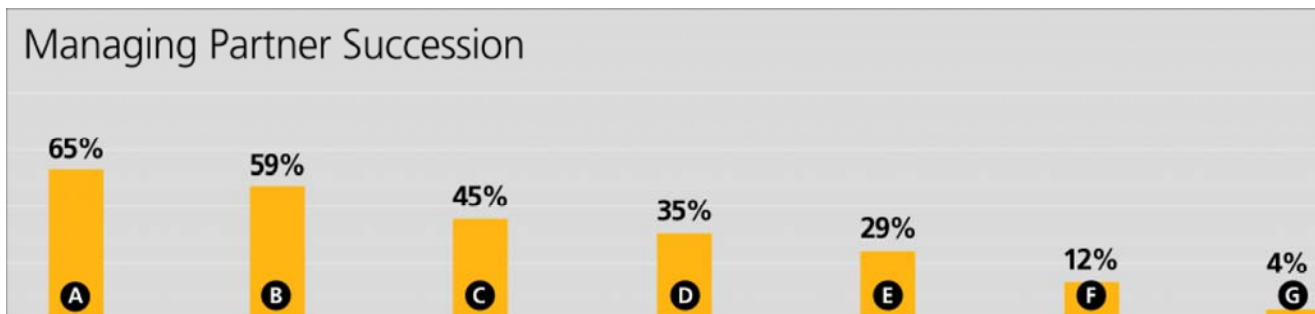
At Lewis Wagner, a 40-lawyer firm based in Indianapolis, Indiana, the partners elect a deputy managing partner who automatically steps into the role after serving as chair of the firm's executive committee for three years. "The committee has a clear mission, which is to monitor and advance the firm's strategic plan," says John Trimble, the firm's current Managing Partner. "Importantly, the future managing partner receives invaluable training and experience in an important leadership role before assuming the managing partner role." Trimble also chairs Defense Research Institute's Law Practice Management Committee.

Administrative Roles

Most firms — almost 75 percent of those surveyed — said they do almost no planning for the succession of senior administrative roles. Best practices for those positions generally involve traditional human resource-based succession planning approaches. That includes knowing the

candidates for promotion among C-level and director-level administrative leaders. Pragmatically that involves two related activities:

- First, evaluations of mid- and senior-level administrators should include an assessment of whether individuals have the potential to be promoted one or more levels. That evaluation should also include an identification of the training and professional development necessary for the individual to make that transition to a more senior role.
- Second, using those evaluations as a resource, firms should create a depth chart for their senior administrative positions, and understand who can step in on an interim basis and/or permanently.



A. We rely on our executive/management committee to ensure continuity.

B. We look to our executive/management committee as a pool of talent and knowledge for succession.

C. We use practice group leader and/or committee chair roles to groom future leaders.

D. Our governance process/partnership agreement spells out how successors are selected/elected.

E. We send potential future leaders to conferences and other leadership training forums.

F. We have "deputy" positions for key jobs (e.g., Deputy Managing Partner).

G. We have developed formal succession plans and "depth charts" for key positions.

TRANSITIONING CLIENT RELATIONSHIPS

In addition to planning for succession of key leadership roles, firms need to plan for and manage the succession of significant client relationships. Frankly, firms should always be working to broaden and deepen major client relationships.

Clients who work with multiple partners or multiple practices are much more likely to be retained year-over-year. So, it is always in the best interests of the firm to get multiple people involved in major client relationships.

As a partner approaches retirement (a five-year horizon is not too long and in some cases may be too short to start planning), more active steps should be taken to transition key relationships. That can and should be done in a way that protects the senior attorney's status and compensation as relationships are transitioned to younger partners. Very few firms — less than 25 percent in the Managing Partner Forum survey — have mandatory retirement policies, so managing this process requires firms to have the discipline and courage to broach the topic of retirement as partners approach age 60. Many partners may plan to work well into their 60's or even their 70's, but that does not obviate the need to have the conversation and begin planning.

Some quotes from surveyed managing partners regarding planning for retirements help to illuminate the points above:

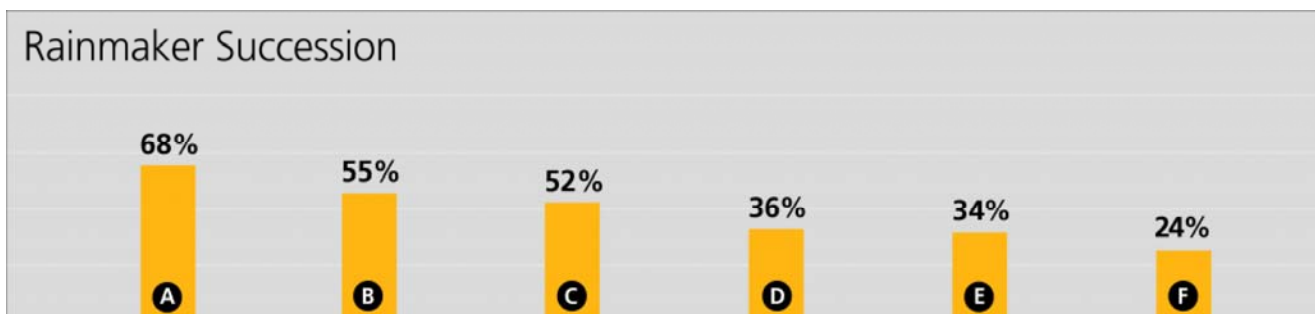
- *We have a senior attorney policy that requires each attorney aged 60 and older to file with the Management Committee each year a senior plan. The senior plan is to state what the attorney's plans for work are for the next five years and whether that plan includes scaling back and/or retirement. If the plan includes retirement, the plan is also to include a proposal for transitioning his/her clients to other attorneys in the firm.*

- *(We hold) annual meetings starting well before retirement and allow plans to develop both on the firm's goals and individual's goals. Follow through on reviewing how the plan is progressing during the year is required. Teaming in our approach to clients and matters is very important to smooth transitions.*
- *One thing we do is that all attorneys 65 or older must meet with a portion of our Executive Committee on an annual basis to review their clients and what efforts have and will take place to ensure a smooth transition. A report is then given to all shareholders at our regular monthly meeting.*

Furthermore, firms may want to take the following steps to actively manage the transition of important client relationships:

- Give younger lawyers direct access to clients as much as possible so the clients build trust and confidence in the younger lawyers. Clients hire lawyers, not law firms and, if the only lawyer they know at the firm isn't there anymore, they go shopping.
- Establish client teams consisting of both senior and junior lawyers. Through these teams, information is shared and activities are coordinated.
- Establish industry practice groups. Here, again, the firm should be promoting a team approach to marketing and business development with senior lawyers working hand-in-hand with junior lawyers.
- Make sure your firm's compensation system rewards sharing and teamwork, not hoarding and control. Senior lawyers should be rewarded for successful transition.

John Trimble of Lewis Wagner says his firm has a policy of sharing clients with multiple lawyers. "We refuse to track client origination credit," Trimble says. "Rather, we track origination at the matter level. It's up to the clients to call whoever they want to handle their matters. It's a system that's worked well for us over the years."



A. We actively work to broaden client relationships to multiple partners and multiple practice areas are serving key clients.

B. We maintain back-ups internally on major matters and/or for large client

TRANSITIONING EXPERTISE

Finally, there is a need to manage succession around the knowledge, expertise and networks partners contribute to the firm. That succession should be integrated into the broader discussion of eventual retirement and it should consider the following:

relationships to ensure someone can pick-up matters in the event of an emergency.

C. We work directly with key clients over multiple years to introduce depth and to plan for future succession.

D. We let things develop naturally and hope for the best.

E. We seek opportunities for secondments or other approaches that embed younger attorneys at key client.

F. We tend to scramble in the final year before a partner retires to transition his/her key relationships.

- **Does the partner have unique, hard to duplicate knowledge or expertise?** If so, is there a protégé in place and is that person growing and developing at a pace sufficient to position the firm to carry-on effectively after the senior partner retires? If not, can that void be filled via lateral hiring? In addition, can/should the firm be adopting knowledge management tools to institutionalize aspects of that partner's expertise?
- **Is the partner a leader in the community?** How does that leadership manifest itself (for example, elected positions, leadership of/involvement in civic organizations, prominence in philanthropic circles, etc.)? Community leadership generally requires a person to have a genuine interest and passion for being actively involved — that passion can and should be tapped from an early age and stage in one's career.
- **Is the partner active in industry and/or professional organizations?** If so, does that involvement directly benefit the firm? Firms should actively work to transition younger partners into associations where the firm knows it wants to remain prominent. Expect that transition to take a number of years.

MOVE FORWARD OR FALL BEHIND

The legal marketplace is evolving rapidly, right before our eyes. As always in the marketplace, there will be winners and there will be losers. We believe – and the evidence backs this up – that law firms which embrace succession planning will be better positioned for success, both today and in the future.

ABOUT THE AUTHORS

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With an Eye toward the Future...

Isn't It Time that Your Law Firm Develops a Strategic Plan?

By John Remsen, Jr.

Today's law firm can either take charge of its future or sit on the sidelines watching the marketplace change around it.

In corporate America, virtually every successful company has a strategic plan guiding its future. Banks won't lend money without one. Shareholders and venture capitalists demand them. It gives an organization a competitive advantage.

Ask just about any managing partner or firm administrator whether his or her law firm should have a strategic plan and almost all of them would say "yes." After all, without institutional direction, the law firm is little more than a collection of sole practitioners sharing office space...or a "hotel for lawyers," as our friend Bill Flannery likes to say. Yet, according to a recent survey, fewer than 5 percent of the law firms in the United States have such a plan in place.

Why then, do so few law firms have a strategic plan? And what does it take for a law firm to develop and implement one?

What Is a Strategic Plan?

In short, strategic planning is a *process*, the result of which is a written document that sets forth where an organization wants to go and how it will get there. Many experienced law firm marketers suggest that a law firm's strategic plan should consider a five-year horizon. It should, among other things, state how big the firm will be, where it will have office locations, what its major practice areas will be, and what its client base will look like.

Once the firm's partners reach consensus on these big-picture issues, the firm can develop its three-year goals and objectives and then determine the strategies and tactics to achieve them. Strategies and tactics are more short-term in nature. They should be specific, measurable and achievable within a year.

If strategic planning is so important, why do so few law firms have a plan? The reasons vary, but the following obstacles are most common.

Denial that it's no longer business as usual

Despite everything one reads in *The National Law Journal*, *The American Lawyer* and just about every other publication on the legal industry, there is a continuing denial among many attorneys that the *business* of lawyering has fundamentally changed. Times are good right now and, generally, firms are doing quite well. However, it is the firms that long ago recognized the value of planning that are emerging as the new leaders in the global marketplace for legal services.

Focus on the short term

Strategic planning looks at the future, while most law firms have a very short-term view of the world. Compensation systems often reward today's billable hour, with little reward for non-billable time invested in the firm's future. That's very dangerous—shortsighted, to say the least.

Law firms need to measure and reward those activities—firm governance, associate mentoring and training, and business development—that are necessary to insure the firm's long-term prosperity.

Difficulty Establishing Consensus among Partners

No doubt, lawyers like their autonomy and tend to resist institutionalization. Many firms like to refer to themselves (with pride) as very democratic institutions. They operate very much like a collection of sole practitioners sharing office space. They want to be left alone. On top of that, there are often very different philosophies among the firm's owners about the future of the firm. So it's easier not to talk about it.

Certainly, getting everyone to buy-in to a specific plan is challenging. There is a tendency among lawyers and law firms to want to be "all things to all people." In this type of culture, lawyers often resist any plan to move in a particular strategic direction and toward a more institutional way of thinking.

Lack of leadership

Inevitably, the strategic planning process leads to change. And change requires leadership. Often, firm leadership is simply not willing to make the tough (and not always popular) decisions necessary to make the firm a stronger,



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more profitable institution in the long run. Managing partners and executive committees must realize that they can't please everybody.

Failure to implement

There are many firms that have made a half-hearted attempt at strategy planning and, for one reason or another, it has failed. The reasons are many and varied. Nobody seems to have the time to get things done. The plan exists, but it collects dust on a corner shelf. Inadequate resources were allocated to achieve the goals set forth in the plan. Or there was a lack of leadership. Or the plan was too ambitious. Or there was no accountability. And so on and so on.

The common refrain is, "We tried that, but it didn't work here." Chances are, the firm went through the motions, but there was never a genuine commitment to make implementation a priority. Without implementation, the planning process can be a frustrating waste of time, effort and money.

Keys to Successful Strategic Planning

Now that we've discussed why so many firms have not gotten around to developing a real strategic plan, let's examine the keys to making it happen.

Establish a sense of urgency

A sufficient number of lawyers in the firm must believe that it is no longer business as usual and that strategic direction is necessary if the firm is to survive and prosper in the years ahead. They must instill and constantly reinforce a sense of urgency that change is necessary.

Commitment from firm leadership

Firm leadership (or at least a critical majority) must have a genuine commitment to develop and implement a strategic plan. Without strong leadership and passionate commitment, it is still "business as usual," despite the rhetoric. Under these circumstances, the firm's efforts are doomed to failure.

Involve all partners in the process

At the end of the day, the owners of the firm must buy into and support the plan.

By involving each of them in the process through a series of one-on-one meetings and/or in a group brainstorming session, each partner will feel a part of the planning process. The likelihood of success jumps dramatically.

Associates and staff must also buy into the future of the firm. Special programs that enlist their support will add to the plan's successful implementation.

Keep the plan simple and focused

If the firm is developing its first strategic plan, it should keep the plan simple and focused. Most firms try to take on too much, too fast and wind up accomplishing little. With a realistic plan and by starting slowly, the firm is able to maintain its focus on the most important projects. The firm can always add to the plan later. A law firm is wise to start slow, publicize success and grow from there.

Create a plan that lives and breathes

Once a strategic plan is adopted, it does no good to set it aside, never to be looked at until the following year, if at all. The plan should be a flexible and dynamic instrument. Its principles should be incorporated into the firm's day-to-day operations. Firm leadership should communicate the goals and objectives of the plan often and in a variety of ways throughout the firm. Make sure everybody has a copy. Review it at internal meetings. Update it often. All important decisions should be considered in the context of the plan. If the firm makes decisions contrary to what is contained in the plan, it needs a new plan.

Establish accountability

Nothing happens without accountability. For most firms, this is best accomplished at monthly meetings of small groups (5-6 individuals) of attorneys, often organized by practice group. There must be a strong group leader and meetings should have an agenda and meeting notes. Assignments must be made and progress must be monitored.

Measure and reward desired behavior

Simply stated, the firm needs to measure

and reward desired behavior. If the firm wants its partners to spend time training younger associates, the investment of non-billable time in the firm's future must be measured and rewarded. If the firm determines that business development is important, it should reward it through recognition, origination credit, and/or by measuring and rewarding effort. Otherwise, behavior changes will not occur. Without incentives (or disincentives), it's business as usual and there is little change.

Does everybody have a role to play?

There is no right or wrong answer here, but the firm must determine up front if all of its attorneys have a role to play when it comes to investing in the firm's future. If so, what is the role of each attorney? What about associates? Is it the same for everybody or do we ask different attorneys to take on different responsibilities?

Making it happen

The strategic plan is not an end, in and of itself. It is a *process* through which a law firm contemplates its future and determines how it will allocate resources to take it where it wants to go.

Without implementation, a strategic plan is worthless. Planning should never replace and distract from the *doing* part of the equation. Implementation must be given the highest priority.

Conclusion

Many sole practitioners and attorneys at smaller firms seem to think that strategic planning is for larger firms. However, any firm with an eye toward the future can benefit from the process. Planning can help a firm develop consensus on key big-picture issues, promote internal communication within the firm, inspire attorneys to get out and do things they wouldn't otherwise do, and help the firm allocate its resources more effectively.

With leadership, commitment and a good strategic plan, any firm can develop a profitable practice working with clients it enjoys and in the areas of law it finds most appealing.



MANAGING LAW FIRM TRANSITION

THOUGHTS ON LEADING HIGH CONSEQUENCE CHANGE

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Law Firm Succession Planning-Preparing for the Difficult Conversation

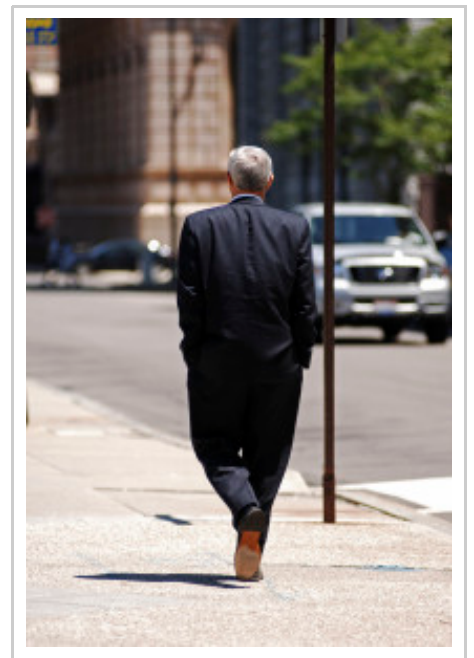
By Andrew E. Jillson on October 21, 2015

Aric Press' recent piece on lawyer retirement is excellent in identifying some of the subtle challenges for law firms dealing with Boomer departure. Press' *Is it Time for You to Go, Joe?* describes the difficult conversation faced by law firm leadership seeking to transition senior lawyers and their practices. Press goes on to observe five best practices among law firms facing the difficult conversation with the long-time contributor who needs to give way. For any law firm facing that challenge, Press' piece is required reading.

Preparing or planning for the difficult conversation is as important as having the conversation. In today's world of a large Boomer population recovering from the collapse of 2008, navigating succession dynamics with jumpy lawyers controlling business is no easy task. Given that landscape, preparing for the conversation requires firms to consider some basics before approaching the Boomer about succession.

Timing is Everything. Planning for succession should occur early. But planning does not mean the conversation should be scheduled prior to careful thought on how the Boomer should be approached. There is nothing worse than a non-strategic succession conversation spooking the Boomer into bolting to a perceived more welcome place. For that reason, Press' admonition to have the conversation early does not mean a spontaneous conversation just as the issue first gets on leadership's radar.

Think About and Understand the Person. Before having the difficult conversation, think about the person you are getting ready to speak to. What is his or her personality? What are his or her financial circumstances? What kind of relationships does he or she have with clients? What kind of relationships does he or she have with colleagues? How profitable are his or her client relationships? What is the track record with regards to lateral movement?



Be Flexible in Scheduling the Conversation. If there has been adequate planning, the firm may have flexibility in scheduling the conversation for a time when the senior lawyer is likely to be most receptive. If so, pick the right time. Having the conversation when the attorney is on edge, feeling vulnerable or after the firm has received bad news is not preferable.

Pick the Right Messenger. People trusted by the senior lawyer should lead the conversation. Having the Boomer's archenemy open the dialogue makes no sense. Nor should the messenger be someone the Boomer does not know well. A person respected by the Boomer and with whom he or she has a rapport is best.

The Tone of the Message Should Be One of Collaboration, not “Take It or Leave It.” The most successful succession plans are ones that are jointly negotiated in which the needs and desires of the firm and Boomer are respectfully addressed. Having a plan that is the product of negotiation is more likely to provide the motivators that spur the future conduct desired by both sides. It takes time to collaborate over a succession plan, so a non-rushed “give and take” is a recipe for success and worth it for all concerned.

As Aric Press recounted in his *Is it Time for You to Go, Joe?*, few people relish initiating discussions about retirement with a respected colleague. Typically it can be hard, a little emotional, and unsatisfying. For that reason, great care is needed in planning the conversation long before it is had. In our experience, the five basics discussed above serve firms well. Are there others that you think are equally important?

Managing Law Firms in Transition

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MANAGING LAW FIRM TRANSITION

THOUGHTS ON LEADING HIGH CONSEQUENCE CHANGE

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Five Important Objectives For Law Firms Dealing with the Generational Challenge in Succession Planning

By Andrew E. Jillson on May 20, 2015

Passing on leadership to the next generation at small to medium law firms can be a challenge. These firms give themselves the greatest chance of success for eventual transition if they identify future leadership early and take the time to nurture the best prospects before succession presents itself. Taking on this blocking and tackling is critical to passing the torch. Yet the generational diversity present in many of today's law firms, especially smaller ones, can make succession planning a challenge.

The recent post *How Law Firms Can Navigate the Generational Divide* by Jonathan Fitzgarrald drills down into the "generational divide" law firms face when trying to implement leadership succession, transitioning relationships and client succession plans. He identifies four generations and details their characteristics that make succession at law firms such hard work. Working with the different generations and their needs and wants is critical in virtually all circumstances, but particularly when considering leadership succession planning.

Mr. Fitzgarrald's labels and descriptions of the four generations are both understandable and familiar. Not only have we heard about "The Silent [Generation]," "Boomers," "Gen X," and "Millennials," but we all know people that are just as Mr. Fitzgarrald describes. As today's law firms confront leadership succession, many involve Boomers looking to its Gen X and Millennial lawyers to assume significant roles for the future health of the firm. When bringing together lawyers of these generations to design an effective leadership succession plan, there are five key objectives:



Getting a Boomer to Trust. Transition or succession, whether involving clients, relationships or leadership, requires trust. While all parties involved in transition need to trust each other, the hardest task can be convincing the Boomer—the one you want to let go a little—to trust the process and its participants. If he or she cannot be brought to the trust tree, transition will falter, fail or result in his or her departure without succession getting a chance to take place.

Getting a Gen X or Millennial to Invest. The flip side of the coin in transition is to convince the Gen Xer or Millennial to invest time and effort in the process. For the typical Gen Xer, if his or her participation promises tangible or intangible rewards that are valued, participation and investment is likely. The same generally will be true for the Millennial, but the rewards valued by members of that generation may be different than the ones that motivate the Gen X generation. And while getting the younger generations' participation and investment is vital, equally important is making sure that the rewards that stimulate their investment are not so generous as to offend the Boomer. Finding the right blend is no small task.

Protecting the Firm and the Boomer. Transition is not effective if your efforts lead to your anointed Gen X or Millennial successors transitioning out the door and joining another firm, especially if they take your best people and clients. Since many Gen Xers and Millennials do not view loyalty to the law firm as a paramount consideration like earlier generations, protecting the Boomer and the firm from possible departure has to be an important component to the transition plan.

Eliminate the Individual Score Keeping. Transition has to be measured by the firm to see if it is working. But score keeping between the Boomer and the successor Gen X or Millennial participants will undermine individual commitment and the firm's chance of success. When the Boomer or the nominated successors compare each other's contribution to the overall effort, seeds of discontent can be sown, resentment rises and a fracture becomes more likely. Should that happen, your succession plan is on shaky ground.

Institutionalizing Succession. If your succession planning turns out well, don't rest on your laurels. Start planning for the next phase. A firm's goal should be to institutionalize the concept of succession. It will strengthen the firm and all the relationships that matter, including the ones with clients.

When dealing with law firm succession planning, understanding the wants and desires of all parties affected is essential. When developing your succession plan, have you adequately considered the "Generational Divide?"

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