# Building Bench Strength:
*Succession Planning Strategies*

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## Agenda

- Talent Management/Succession Planning
- Recent Trends
- Options and Challenges
- Developing Strategies That Work
- Key Elements of a Succession Model
- Best Practices

## Sustainability

**“The capacity to endure”**
- http://en.wikipedia.org/wiki/Sustainability

“To **meet present needs without compromising the ability of future generations to meet their needs”**
- (WECD, 1987 UN conference)

## What Is At Risk

If current leaders and senior partners do not transition . . .

The next generation of leaders and rainmakers may stagnate

*– or not emerge at all*

## Two Objectives for Succession

- Transfer client relationships seamlessly, retaining value and volume
- Transition the mantle of leadership to next gen partners

## Background

- Old problem – newly troublesome *(those pesky Boomers)*
- Boomers – 90+ million, Gen X – 30+ million
  - Less margin for error
- Pressing need to:
  - Understand the issues and challenges
  - Identify and evaluate options
  - Look at successful models and “best practices”

## Trends

- Multitude of factors influence strategic planning:
  - Demographic trends
  - Economy
  - Generational issues/values
  - Shifting loyalties

## Demographics

- Anticipated mass departure of the “boomer” generation
  - Next 20 years: 90 million + people in the US and Canada at retirement age
  - 65% of law firms’ equity partners are in their late 50’s or early 60’s
  - ABA and U.S. Census Bureau data confirm the impending exit of this massive cohort

## Economy

- Recent economic debacle results:
  - Mass layoffs at the associate level
    - Less and less substantive work
    - Not as prepared to move up


*Is this cohort “ready” to take on the challenge of leadership when the current regime retires*

## Economy

- Recent CareerBuilder survey:
  - 6 in 10 workers say that they are putting off retirement due to impact of recession on retirement savings
- Implication: Partners who lost savings want to practice longer to build up reserves

## Generational Issues

- Senior Partners enjoy “status quo”
  - *“Law is a profession, not a business”*
  - *“The client only wants ME”*
- Changing values and priorities of X & Y generations
  - Partnership not a goal for many
  - Successful lawyers don’t care to invest time “leading”
  - Shifting ideal of “loyalty”

## Diversity Issues

“Lack of succession planning exacerbates problems with origination credit. Most respondents reported that their firms allowed the attorney with origination credit to bequeath it to another attorney if the originating attorney left the firm. The most common system reported was to allow originating attorneys to decide who would inherit their origination credit, with little or no oversight by the firm. Many respondents opined that this system advantages white men.”

**New Millennium, Same Glass Ceiling?**
The Impact of Law Firm Compensation Systems on Women
Joan Williams, Veta Richardson
ABA Commission on Women, MCCA 2010

## Shifting Loyalties


- Lateral Movement
  - 2009 – 2775 partners moved*
  - 10.6% increase from 2008
  - 50% of firms say growth will come from laterals
- Mandatory retirement drives partners to other firms
  - And some to claim age discrimination
- Clients bid business, make decisions based on variety of factors
  - And won't allow training next gen on their dime
- Eat what you kill comp systems – whose clients are they?

*American Lawyer Lateral Report, Feb 2010

## Succession Management Trends

2008 research found 53% of companies had some sort of succession strategy in place.

By 2010, that number increased to 75%

Aberdeen Group's "Succession Management: Sustainable Leadership for the Future," July 2010

## Where is the Legal Industry?

The ABA and other industry sources estimate that less than 1/3 of multi-owner law firms have succession plans

How many of your firms have a strategic succession plan in place?

## Elephant in the Room?

- Promoting fewer home-grown partners
- Longer track to ownership
- Increase in non-equity roles

Citi Private Bank Survey 2010: "We believe increases (PPEP up 7.4%) were caused in part by a shift to more senior people doing the work."

## What are Firms Doing?

- Most firms still have mandatory retirement for the following reasons:
  - Drives "action"
  - Promotes internal growth
  - Side-steps awkward conversations
  - Empowers partners to manage the process

"Retirement and Pro Bono Activities,"
The Committee on Senior Lawyers,
New York City Bar Association

## What are Firms Doing?

- Re-evaluating retirement policies
- Addressing succession planning in partnership agreements
- Rewarding leverage and team building
- Rewarding cross-selling, collaboration
- Providing options for retiring partners
  - Of Counsel – Mentor – Pro-bono – Trainers/Coaches

## Challenges

- Retiree’s and clients’ reluctance
- Team or firm leadership roles not valued
  - Or not best use of time
- Developmental gaps or lack of bench strength among next gen lawyers
- Lack of leadership in addressing tough situations
- Lack of financial planning

## Challenges

Yours?

## Planning for the Future

Strengthening the leadership pipeline is key to firm sustainability

- Identify roles based on the future vision of the firm
  - And how that differs from today
- Develop a strategy for identifying and developing emerging leaders – firm, practice, team
  - *Not just conferring leadership once successful*

# Shifting From “Reactive to “Proactive”

Setting the Stage for Success

## The PD Professional’s Role

- Firms with formal succession plans are more successful transitioning . . .
  - Management of the firm
  - Clients
- How can we add value?
  - Build frameworks for transitions
  - Advise on policy
  - Coach individuals

# Strategies for Determining What’s Right for Your Firm

## A Range of Options

- Merging or closing the firm or practice
- Mandatory or early retirement
- Buyouts
- Flexible exit plans that include a 3-5 year transition
- New roles

## Where to Start

- Strategic evaluation of firm
  - Strengths
  - Weaknesses
  - External forces impacting need for change
  - Quality/strength of leadership
  - Willingness of shareholders to follow
  - Reward structure's impact on leadership and succession

## Ask the right questions

- Should the firm have mandatory retirement?
- What is the best way to construct retirement benefit packages?
- How do we capture/capitalize on retiring partners'
  - Knowledge/skills
  - Networks
  - Reputation

## Developing Strategies That Work

- Create a vision for the Firm
  - Look at projected staffing for 15 years for lawyers at each level
  - Consider each practice/office
  - Consider each major client relationship
- Assemble multi-generational strategy team

## Developing Strategies That Work

- Start the dialogue early
- Get “buy in” at every level
- Be sensitive to adjustment
  - Life changing
  - Shift in self image
- Have a range of options

## Developing Strategies That Work

- Input from all constituencies:
  - Partners
  - Clients
  - Emerging leaders
  - Firm management
  - PD, HR, CFO, CMO
- Build incentives that drive desired behavior

## Client Transition Strategies

- Open communication with client base
  - Devise unique strategies for each client
  - Solicit feedback and respond effectively

## Client Transition Strategies

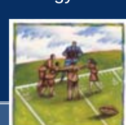
A 3-5 year transition that allows for:

- Review of client base
  - Current and projected needs
- Successor identification and development
- Relationship building and “phase-in”
  - Shadowing “credit”
  - Reward for leveraging billable work
- Regular discussions of progress

## Providing Ongoing Support

Assign a coach who will . . .

- Support goal setting and action planning
- Be alert to challenges the emerging leader/retiree is having
- Make sure successor is not isolated, left to own devices
- Bring issues, solutions to attention of strategy team



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## Building Bench Strength

Develop an accelerated schedule when needed:

- For current team:
  - Stretch assignments
  - Coaching
  - Rotations
  - MBA-type education
- Lateral hiring

## Leadership Development

- For each defined role, link:
  - Vision
  - Strategy
  - Goals
  - Action plans


## Leadership Development

- Provide structured support for development
  - Comprehensive, long-term programs
  - Current leadership involvement, mentoring
  - Early experiences in leadership roles

## Financial Strategies

- Structure financial protections
  - Provide financial planning support EARLY
  - Consider a full range of benefit strategies
  - Offer buy-outs at specific pre-retirement stages
  - Have 3 – 5 year “click-down” plans or shift compensation criteria to reward transitioning
  - Create milestone awards for client transfer

## In-Firm “Retirement” Options

- A range of possibilities
  - Consultant
  - Partner “emeritus”
  - Ombudsperson
  - Firm counsel
  - Trainer
  - Mentor
  - Pro-bono oversight
  - Client relations role

# Key Elements and Best Practices

## Getting Started

- Appoint a strategy team
- Develop leadership based, multi-tiered succession plan
- Gather input from all
- Communicate the plan
- Design strategies for building bench strength
- Set targets and monitor progress

## Key Points

- Succession planning is challenging but necessary
- Begin by assessing your talent pipeline
- PD can play a critical role
- It is time to get serious