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## Has your law firm made plans for the future?

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**Practice Management analysis: Law firms, just like any other business, must make preparations to deal with the loss of key employees and the hiring of new ones. Peter Scott, principal of Peter Scott Consulting and former managing partner of Eversheds' London and European offices, explains how practices should address succession planning and why it is important to ensure a firm's longevity.**

### **To what extent is succession planning recognised as an important subject in law firms? What interests are at stake?**

Succession planning should be regarded as one of the most important issues for law firms. It involves the future wellbeing of a firm, including issues over a firm's future leadership, the prevention of loss of talent and client relationships, and the reconciling of the interests of older partners, younger partners, key staff, managing partners and clients.

The key word is 'planning' because forward-planning is vital if effective succession planning strategies are to be put in place.

For sole practitioners the succession problems are even more acute, such as:

- o What should they do with their practice when they want to retire?
- o Can they persuade another firm to take over their practice?
- o Has the practice any value? (unlikely in most cases)
- o Will an acquirer firm become the successor practice or will the sole practitioner have to buy run off cover?

### **What are some of the reasons firms may have (or give) for not dealing with the issue?**

Many firms, and in particular some older partners, just put their heads in the sand and hope the problem will go away. Reasons given for this are myriad and some of the most frequently heard reasons are:

- o it is just too difficult to deal with, or
- o 'Fred only has another five years to go so let's just leave him alone'

Most often I suspect the real reason is that those who are running a firm just do not have the skills or knowledge to deal with the difficult issues involved.

### **What are some of the crucial considerations and objectives that should form part of succession plans?**

As already mentioned, a succession plan should aim to reconcile the interests of older partners, younger partners, key staff, managing partners and clients, with a view to safeguarding the future of a firm. However, other considerations also come into the picture. These include:

- o economic pressures to reduce the size of the equity
- o pressures to exit older partners to make room for new partners to come in
- o what to put in place of retiring partners--eg focusing on younger partners and whether they are going to be the future of the firm, helps to highlight issues needing to be addressed

A succession plan should look to make optimum use of all productive resources (including its people) of a firm and to secure the current and future wellbeing of everyone in the firm.

### **What are some of the crucial aspects of succession plans?**

Succession planning should be part of designing career paths for everyone in a firm including:

- o for older partners:
  - o to provide a planned retirement to benefit both partner and the firm
  - o to secure client relationships by planning a phased handover of clients
  - o to harness their skills and experience
  - o to make them feel valued
  - o to agree financial arrangements that fairly match reward to contribution while in the firm
- o for younger partners:
  - o to provide clear career paths and to manage career expectations
  - o to put in place new partner programmes designed to bring people through to partnership and continue throughout partnership
  - o to put in place transparent admission/progression processes
  - o to ease them into client relationships
  - o to build competitive profitability to recruit and retain the best

For managing partners, career paths should be designed for when they cease to be a managing partner, including use of parachutes. Furthermore, firms should forget clients in succession planning at their peril and involve them in their thinking.

Above all, firms should find out from all their people what they want from their careers (ie not everyone wants to become a partner and some older partners would very much like to retire earlier), as well as invest in their people to realise their full financial value to the business.

### **What are the pitfalls of not having a succession plan?**

Without a well-thought-through and implemented succession plan, a firm can risk:

- o losing its best talent and clients
- o becoming leaderless
- o fail to bring new talent through to safeguard the future of a firm

For sole practitioners the problem can be even more pressing, as they may have to keep working if they cannot afford run-off cover or cannot find someone to take over the firm.

If a firm does not engage in forward-planning in relation to such matters, the risk is that nothing will get done and a firm's future wellbeing will be in jeopardy.

*Interviewed by Diana Bentley.*

*The views expressed by our Legal Analysis interviewees are not necessarily those of the proprietor.*