



SUCCESSION PLANNING



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Succession Planning

Table of Contents

1. Speaker Biography
2. PowerPoint presentation

Note: For your convenience, and to save trees, all of the material included in this table of contents may be downloaded directly to your computer from Hightail at <https://tinyurl.com/PBA-Succession2>

HOW TO DOWNLOAD THE SEMINAR MATERIALS:

Note that you do NOT have to register or open an account to download. If you are prompted to do so, close your browser, and reopen and try again.

1) Enter the URL in your browser. You will go to the download page on Hightail. You will see the image of the handout Cover Page on the left. Directly above that area on the far right, you will see 5 Options in Circles. 2) Click the 4th button with the down-facing arrow for **Download All**. 3) The document will appear to open on the screen. Put your cursor anywhere to once again Select the Download Option on the right. 4) Windows Explorer will open your dialog box. Navigate to the exact folder in which you want to save the document, and then select **SAVE**.

This tool does not work on Mac. Use a PC to download.

3. PA Rules of Professional Conduct Rule 1.3 [Diligence]
4. Phila. Bar Association Opinion 2014-100 [Lawyer Succession Planning]
5. Article: "Succession Planning: How Law Firms Prepare for the Future Today"
6. Article: "Secrets of My Succession"
7. Article: "Transitioning Key Clients"

8. Article "Succession Planning"
9. Article "Indispensable People — Joys and Risks"
10. Article "Meet Mr. Lucky Boy"
11. Article "Five Fundamentals for Successful Succession Planning"
12. Article "A Short Course in Succession Planning"
13. Seminar white paper "Recipes for Succession Planning" ALA Conf 2007
14. Article "Financial Aspects of Succession Planning"
15. Article "Five Questions to Ask About Your Firm's Succession Readiness"
16. Article "Succession Planning for Solos and First Generation Law Firms"
17. Article "Thinking Ahead - Moving Young Lawyers into the Leadership Pipeline"
18. Article "Transitioning Practices and Clients to the Next Generation"
19. Article "H*ll No, I Won't Go! Lawyers Refusing to Quit"
20. Article "Planning for Succession at Your Firm"
21. Article "Failed Promises, Failed Plans"
22. Article "Key Law Firm Management Areas"

ELLEN FREEDMAN, CLM



Ellen serves as the Law Practice Management Coordinator for the Pennsylvania Bar Association. In that capacity she assists PBA's members with management issues and decisions on the business side of their practice, including areas like technology, financial management and profitability, human resources, marketing, risk management, setting up a practice and so forth. PBA members are encouraged to contact Ellen through the 800 "Hot Line" at PBA headquarters, (800-932-0311 x2228) or through email (lawpractice@pabar.org).

Ellen is founder and President of Freedman Consulting, which assists PA law firms with a full range of issues and projects on the business side of the practice. More

information about Ellen and her law practice management services may be obtained at <http://www.FreedmanLPM.com>. Ellen also publishes the Law Practice Management blog at www.PA-LawPracticeManagement.com.

Ellen holds the designation of Certified Legal Manager through the Association of Legal Administrators (ALA), the credentialing body for the CLM degree. Of the 11,000+ members of the ALA, approximately 260 are certified legal managers. Ellen was one of the first 20 in the nation to have achieved this designation. She holds a Certification in Computer Programming from Maxwell Institute, and a Certification in Web Site Design and a B.A. from Temple University.

Ellen managed inside law firms for twenty years. Most of that time was spent in a mid-size (35+ attorney) firm environment. She launched her consulting practice in 1998, and joined the Pennsylvania Bar Association in 1999.

Ellen is an associate member of the American Bar Association, and its Law Practice Management and General Practice & Small Firm sections. She was a member of the Association of Legal Administrators for over 20 years, and founded the Independence Chapter. She is a frequent author and speaker on law firm management issues on a national level.

Succession Planning



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1

PBA's Law Practice Management Coordinator Ellen Freedman, CLM



assistance for your firm in:

- Human Resources
- Technology
- Financial Mgt / Profitability
- Equipment buying
- Strategic planning
- Marketing
- Start-up / Closing / Sale
- Risk management
- and much more

800-932-0311 x2228
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2

Failing to plan is planning to fail!

3

Prayer is not a planning strategy!



Good for the soul, but doesn't help your firm or clients!

4

If you DON'T have a plan

- Life happens
- Work happens
- Nothing else happens!



5

How Big a Problem Is It?



6

Altman Weil 2016 Law Firms In Transition Survey

- 40% of partners will retire in under 10 years
- These partners control @63% of firm revenues
- The vast majority of firms have no formal succession plan
- Compensation issues create the biggest roadblock to change

7

Q: How concerned are you about your law firm's preparedness to deal with retirement and succession of Baby Boomers?

Concern Level	Percentage
0 - Not at all concerned	1.5%
1	3.7%
2	7.7%
3	7.7%
4	8.9%
5	12.0%
6	9.5%
7	15.6%
8	17.2%
9	11.4%
10 - Extremely concerned	4.9%

8

Altman Weil 2011 Law Firm Succession Planning Survey

2011 LAW FIRM SUCCESSION PLANNING SURVEY

8. What are the stumbling blocks you've encountered in working through the issue of succession planning? (select all that apply)

Stumbling Block	Percentage
Senior partners don't want to forfeit current compensation by transitioning client work	77.1%
Senior partners don't want to retire	71.4%
Awkward to discuss	48.6%
Compensation protocols are not adequate	40.0%
Don't have adequate mid-level partners to transition work to	37.1%
Clients resist transition to different partners	25.7%

9

When should you start planning?

Death / Disability	Emergency planning should be done NOW for solo or small firms
Closing	3 – 5 years ahead AND as leases are renewed
Selling / Transfer	1 – 3 years ahead
Transitioning	5 – 10 years ahead

The day to really start planning is the day you open your practice!

10

Lawyer's Obligations

- **Rule 1.3. Diligence**
- A lawyer shall act with reasonable diligence and promptness in representing a client.
- (5) To prevent neglect of client matters in the event of a sole practitioner's death or disability, the duty of diligence may **require that each sole practitioner prepare a plan**, in conformity with applicable rules, that designates another competent lawyer to review client files, notify each client of the lawyer's death or disability, and determine whether there is a need for immediate protective action. Cf. Rule 28 of the American Bar Association Model Rules for Lawyer Disciplinary Enforcement (providing for court appointment of a lawyer to inventory files and take other protective action in absence of a plan providing for another lawyer to protect the interests of the clients of a deceased or disabled lawyer).

11

What are a solo's inevitable choices?

- Die with your boots on (leave mess behind)
- Close your practice (orderly shut-down)
- Sell your practice (no mandatory inactive status)
- Transfer over time (buy-in installments)
- Transition your practice (next generation)

12

What are a small firm's choices?

- Dissolution / closing
- Sale or Merger
- Continue and rebuild

13

In-House Counsel should

- Discuss these eventualities with Outside Counsel
- Make sure they have a plan
- Participate in implementation



14

Close Your Practice

- Orderly shut-down must include
 - Notifications
 - Clients
 - Opposing counsel
 - Courts
 - Many others
 - Client file disposition
 - Trust account clearance & closing

15

Client Files

- Rule 1.15 – Safekeeping Property
- Notifications to former clients
- If critical deadlines are looming complete as many client cases as possible
- Disposition of open files
- Disposition of closed files
- Lots of clients either will not be found or no longer exist!!

16

Sale / Transfer / Transition

- Requires buy-in & cooperation of In-House Counsel to work
- Requires all the same notifications
- Longer time period to implement
- May call for
 - Lateral hire
 - Merger / acquisition

17

How to Create a Succession Plan

- 100% buy-in / applies to all
- Triggered by same age for all
- Triggered by health or cognitive changes
- Well-defined process with regular progress checks
- Address compensation issues

18

Create the plan – Step #1

Assessment Meeting

- Get input on intentions
- Identify Relationship Partner(s)
- Candidly discuss compensation / needs
- Identify key clients
- Identify key referral sources
- Identify key networks

19

Create the plan – Step #2

Action Items and Deadlines

- Must someone be hired?
- Preparing successor by setting targets for matter assignments
- Meet with clients to discuss intentions. Make benefits clear. Enlist support.
- Set goals for introductions to referral sources, matters handed over, etc.

20

Create the plan – Step #3

Compensation Considerations

- Objective formula systems are hardest to modify to account for successful transition strategies
- Subjective systems are easier to modify and reward transitioning activities
- Track hours invested in transition activity and weigh against hours or billable work transferred to successor

21

Succession Planning Is

- A critical and important function of leadership
- Necessary to secure the ongoing success of the firm
- ***Applies to staff as well as lawyers***
- Requires leadership commitment to employee development
- Involves continuously exposing up-and-comers to different aspects of the firm as a business

22

A succession plan should have

- Clear and measurable goals
 - Determine objectives
 - Identify incremental steps to achieve
 - Assign to correct person
 - Calendar the time
 - Hold folks accountable

23

A succession plan should be

- Reviewed annually
 - Compare goals to what got accomplished
 - Assess what strategies worked and what didn't
 - Make course corrections for following year

24

A succession plan must

- Carry firm culture forward
- Prepare firm to change it as is needed to deal with marketplace changes
- Successors must be chosen on merit
 - Leadership ability
 - Strong interpersonal skills
 - Strong values
 - Role model
 - Client's acceptance

25

Succession by lateral hiring, acquisition or merger

- Get client input first!
- Be slow and deliberate
- Ensure cultural compatibility
- If you are bringing someone in to shake things up, make sure he or she understands the existing culture first

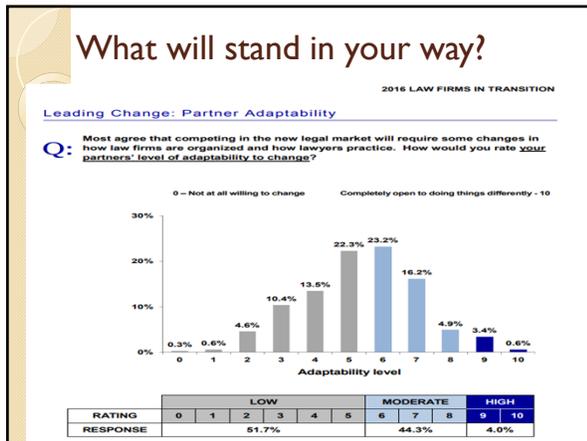
26

What will stand in your way?

2016 LAW FIRMS IN TRANSITION

- **Resistance to change:** The pace of external change being experienced by law firms is not expected to slow in the foreseeable future. The slower pace of internal change in many firms is attributable not to lack of awareness or will among law firm leaders but to low awareness and high resistance among their partners.

27



28

- ### Closing points
- A lawyer has moral duty – if not ethical – to ensure client's best interest by planning for succession
 - Clients (In-House Counsel) have a vested interest in making sure this happens
 - In-House Counsel should have candid conversations with aging outside counsel
 - In-House Counsel should also plan for their own succession

29



30



Connect with me !

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