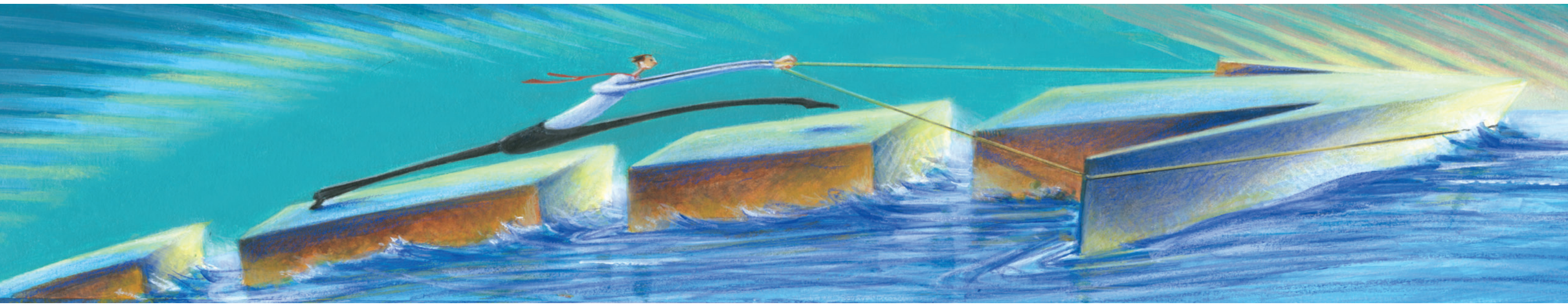
THE DISRUPTION IN TRANSITIONING TO A NEW FIRM LEADER

For some time now I have been personally appalled at the incredibly short time period that some firms (often those with millions in revenues) allow for any incoming firm leader to properly orientate themselves to the magnitude of their new role. In some firms it is as though the partners all met on Saturday to discuss the ongoing management of their firm (perhaps as part of an annual retreat), voted for a new leader and then informed that fortunate 'winner' that they should expect to start in their new role on Monday!



It is doubtful that any firm contemplates the replacement of its firm leader with enthusiasm, even when the departure is expected. Quite apart from the human drama involved there may be significant direct financial costs to be contemplated.

When your firm leader's departure is predictable, as in the case with their term reaching an end – there are numerous uncertainties (such as the identity of an appropriate successor) that, if handled poorly, can have a major negative impact on your firm's performance. It is important to understand that overall performance of your firm can suffer, sometimes spectacularly so, during any transition from an outgoing leader to a new one – and I have witnessed examples of this diminished performance extending for as long as a year.

I believe that firms need to be aware of this phenomena so that you can take appropriate steps to ensure a controlled and effective process that minimizes the inevitable 'disruption time.' As a starting point you should understand that the transition process for any leadership change will involve at least three sequential phases.

1. The 'Best Before' Date Becomes Apparent

The first phase occurs when your firm, for whatever reason, begins to speculate about the continuity of its leadership. This may happen when the leader is coming to the end of their acknowledge term in office, is reaching a logical retirement age, is simply perceived to be less enthusiastic and visibly committed to the position, or begins to suffer a lack of partner confidence.

The early warning signs are usually apparent to selective partners, while members of your executive committee or board may start to act in such a way as to indicate they are concerned. Meanwhile, the COO and key administrative professionals can be seen to be questioned, apparently innocently, about 'how things are going around here?'

In some instances there may be other signs – perhaps frustration over financial results, openly expressed amongst the partners. Some may even become openly resentful of the firm's management team. Often, I have seen such difficulties occur in firms that have relatively long serving (well over a decade) managing partners.

Sometimes the issues that might lead to the unplanned replacement of a firm leader make legal news and for a time become the subject of lateral headhunting efforts. In other instances, the situation is barely noticed outside the firm until it is announced that a firm leader is stepping down 'to return to their practice.'

To the extent that any firm leader is aware his or her position is under threat, diminishing performance under stress may mean the speculation becomes self-fulfilling. Similar circumstances arise when it becomes widely known that an existing leader is likely to retire at some time in the not too distant future.

Such speculation, as is associated with such warning signs, inevitably diverts the attention and time of individual partners to unproductive activities like ruminating over 'what actions the firm is likely to take and why it is taking so long.' Key rainmakers can also become progressively distracted and unsettled. This all simply compounds the disruption to your firm.

2. The Lame Duck Syndrome

The second phase commences immediately upon any announcement that your firm leader is officially stepping down. This is the 'lame duck' period that lasts until the selection of the new incumbent.

During this period the influence, authority and motivation of the outgoing firm leader gradually, if not rapidly, wanes. Amongst both partners and administrative professionals, attention and interest is now directed to the activities of the Nominating Committee, speculation about who the possible candidates might be, and when the new firm leader is likely to be selected.

The precise timing can often be uncertain, even for those directly involved with the nominations process. Certain of your partners may, not unnaturally, begin to focus more on the politics of the situation and on positioning themselves to best curry the favor of any new incumbent. Or alternatively, the announcement may set off an undesirable competitive dynamic amongst numerous partners through the firm vying for attention.

In one unhappy example, a very long-serving managing partner unexpectedly announced in January that he would be stepping down at the end of that year. The ensuing disruptive politicking caused two senior rainmakers to jump into the open arms of a competitive firms, whose Chair confided to me that "we would never have been able to attract this kind of talent had it not been for their dysfunctional transition process."

In discussion with David Morley, the retired Senior Partner at Allen & Overy, he explained:

We have had our current election system since 1998 and never lost any unsuccessful candidate as a result of not being selected for the position they aspired to hold. I don't say it would never happen. However, we go to great lengths to try to avoid that outcome. Three key steps we take include:

- *Our elections are conducted by secret ballot, one partner-one vote (these days all on-line) by an independent body - the Electoral Reform Society - who specialize in conducting elections to high standards. They have standing instructions only to tell us who is winner and, specifically, not to tell anyone the number of votes attributable to any candidate. That was designed to avoid any sense of humiliation etc.*

- *It is accepted that the first call any successful candidate makes - even before his spouse - is to the unsuccessful candidates to thank them and to emphasize they have a bright future in the firm.*

- *We 'show the love' to unsuccessful candidates with many partners going to see them and tell them they want them to stay with us.*

I think it is also a factor that our elections have never been acrimonious, polarized or conducted by way of personal attacks. That would be a fatal election strategy that partners would reject. So there is limited damage done to personal relationships between the candidates.

In this second phase you need to define the future challenges facing your firm and the qualities that any new firm leader will need to have to address those successfully. Depending on your culture, this can be very beneficial to improving morale, commitment and partner relationships ('someone is listening to us').

If this phase is handled well it can be a very positive experience for the firm and immeasurably helpful to the new leader. Handled poorly, the period of hiatus may become an extended one and the firm can drift, if not become immobilized.

3. Getting Resettled

The third phase begins when the new firm leader takes up their position. Research suggests that, typically, this phase may last for 100 days to six months or more. This is the time it takes for your firm's partners and administrative professionals to settle into a productive routine after getting oriented to your new leader's style and approach.

It is also the time when a new leader takes time to assess the firm, its strategic direction and the competencies of the management team. If, as a result of his or her assessment, the new incumbent feels obliged to seek significant change in the direction of the firm or to introduce changes to the personnel on their leadership team, this phase may extend even longer while these key changes are made. And, it can extend even later, while the new management team finds its feet.

While each of these three phases may not occur in each firm, if not the subject of a deliberate and effective transition management process, this period of transition from one firm leader to the next might easily last for at least 12 months and sometimes longer.

In our increasingly competitive world most firms simply cannot afford to risk substandard performance for this length of time. The damage can be substantial and the recovery - even with an outstanding new firm leader - long and slow.

Part of the reason is that this transition does not just impact on your board, partners and administrative professionals. Other important stakeholders (e.g. bankers, key clients and strategic alliances etc.) can find the process similarly disruptive to their relationship with your firm.

Even without assessing these it is of the utmost importance that all possible steps be taken to minimize the length and negative impact of the transition period. My experience has led me to the strong view that the transition process can and should be managed with as much deliberation and care as the selection process itself.