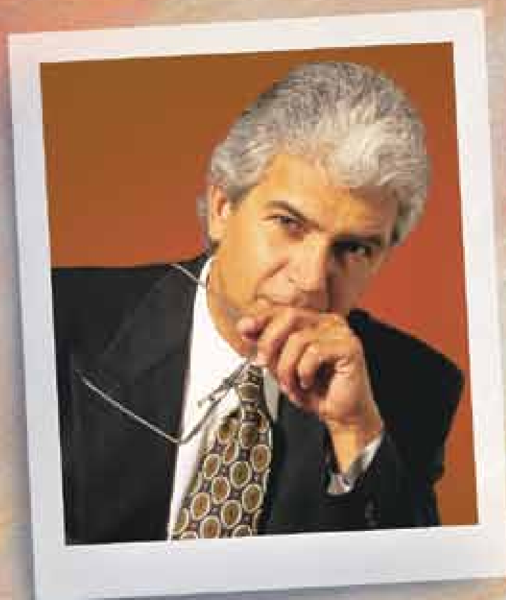
When Firm Leaders TRANSITION



In 2007, I initiated a survey and asked firm leaders to reflect upon the various Managing Partners that they had met, observed and / or read about, from across the country, and report back their answer to this question: "Aside from your own law firm, please tell me the name of that law firm Managing Partner / Chair / CEO you most admire for their management / leadership competence?"

far and away the most admired law firm leader was Robert M. Dell, Chair and Managing Partner at Latham & Watkins. A recent announcement that Bob would be retiring at the end of 2014, after 20 years as Latham's firm leader reflects a loss that will not be easy to fill. That said, the steps the firm is taking should serve as a role model for any firm that takes management and leadership succession seriously.

Let's take a look at just a few of the steps that Latham's is doing right:

- Dell gave the firm over 13 months advanced notice that he would be stepping down
- To oversee the identification and election process, Latham has appointed a succession committee that consists of a diverse group of partners from a variety of the firm's offices and practice groups.
- Once the new managing partner is elected, Dell will work with the individual for about 6 months to help ensure a smooth transition.
- Following this transition period Dell plans to leave the firm in order to "get out of the way" of whoever succeeds him. "When a new person is coming in, following a person who has been doing it for two decades, I think that new person deserves a lot of space," he says. "So, my view is it's best for me to retire and to let that person create his own successes, or her own."

Now contrast this example with the one reported at Reed Smith. In October of last year, the firm announced that their Global Managing Partner of 13 years, Gregory Jordan was leaving (immediately) to become executive VP and GC at PNC Financial Services. As a replacement, Sandy Thomas, the firm's Litigation Department Chair, was anointed (with no opportunity to deal with his personal practice or be properly oriented into a job of this magnitude) to take over. According to the media spin . . . Besides being an "exciting opportunity" for him to join PNC's leadership team, Mr. Jordan said the time was right to hand over the top job at the law firm to Mr. Thomas. Asked how he feels transitioning from his role at the top of Reed Smith to be part of a team of executives at PNC, Jordan said, "I feel great about it."

Now think about you personal investment portfolio. Imagine that corporation in which you hold the largest number of shares suddenly announcing that their CEO is fleeing their post. As an owner, stakeholder and investor - Would that be a "buy" signal for you or a "sell" signal?

Leadership transitions can be a complicated and messy ordeal or they can be carefully planned to progress the best interests of the law firm. In this article I wanted to set out some of the best practices and potential pitfalls that both outgoing and incoming firm leaders needs to be sensitive to.

> ***"The leadership transition period is a good time to finally deal with annoying operational problems or troublesome personalities, so that the new leader can come in and immediately begin to address the more important, strategic issues."***

When You Are The Outgoing Leader

The outgoing leader has a number of responsibilities to the firm, to the unbiased selection of his or her successor, and to the transition process.

FIRST, when you have decided or it has been decided for you by the terms of your tenure, that it is time to step down, the proper course of action would be to assist your firm's executive committee/board in the formation of a Selection Committee, but do not involve yourself as a member of that committee or suggest any candidates for consideration by the committee.

Some hold to the belief that the current firm leader should select their sucessor and that has undoubtedly worked for a very few firms, most notable Jones Day, for decades. The countevailing argument is that selecting your replacement is likely to have you selecting someone that is just like you, which may not be what your firm needs at this stage in its evolution.

When you're handed the keys to the kingdom from a successful predecessor who groomed you for the job, there's a temptation to play the Great One's "mini-me." In some ways, you feel indebted to this firm leader who gave you the opportunity, and you feel obliged to try to carry on in the same style. But that defeats the purpose of the succession. When partners see a new leader who looks exactly like the old one, they may be lulled into thinking the old managing partner has simply been cloned, which, in turn, encourages a mindset less than receptive to innovation and independent initiatives.

Hand-picked leaders can also be reluctant to take the firm in a new direction because, after all, the existing approach worked. That too can be a mistake as it reinforces the old model which, even if effective in the past, sends the message that there is really only one way to get things done.

In any effective leadership selection process, before you can begin discussing the "who," your executive committee/ board must agree on the strategic direction of your firm in light of trends and discontinuities that your firm may be facing in the future. It follows that if the members of your executive committee cannot agree on strategic direction, they will have even greater difficulty agreeing on the requisite capabilities they require from their next firm leader. Therefore in any leadership succession process you need to pay particular attention to defining the criteria for selecting your next firm leader based on future performance requirements. To go beyond generalities, the board has to identify the very specific effect it wants the next Firm Leader to have on the firm's business and define the skills that it will take to accomplish that.

SECOND, one common delusion every departing leader may hold is that we are indispensable or at least that the firm will stumble without us. Every one of us who has ever held a leadership position may maintain some secret fantasy of one day announcing our plans to resign, and then leaving office amidst sorrowful tears, a standing ovation from partners and staff, and general consternation about the future, now that we are leaving. Here is how one firm leader expressed it, somewhat tongue-in-cheek:

> *"You should know: I was 'indispensable' even though the Firm has not 'stumbled'' under my successor's leadership; that I don't like it one bit but the Firm is 'thriving' without me; that I have been very positive about my successor and his new leadership team and believe me it has not been easy! I never agree with the probably hundreds of my partners that constantly complain about the new leadership team and want me to start a coup . . . Can't you tell - I have moved on!"*

The bittersweet reality is that your firm will survive and even thrive without you. You should therefore compose a realistic story to tell people, in a positive way, why you are stepping down and to convey your excitement about your next adventure and the firm's future.

THIRD, the leadership transition period is a good time to finally deal with annoying operational problems or troublesome personalities, so that the new leader can come in and immediately begin to address the more important, strategic issues. Conferring with your successor and, with their concurrence, confronting these often sensitive and sometimes messy situations now, is one of the best gifts you can give your replacement – a clean slate from which to work.

FOURTH, think about what information you would want if you yourself were now about to embark on this new leadership position. As the incumbent, you typically know more about the firm and its operating nuances than anyone else. Much of that information, or at least how to find it, is stored in your head. Think about how you might codify and share everything you wish you had known when you first took office.

FIFTH, to assure the success of the new leader, you should under no circumstances speak with anyone at the firm about his or her performance. Being perceived as negative or unsupportive only reflects poorly on you. You must also not allow anyone to say, *"Well that's not how we handled things when you were the managing partner."* That is disloyalty, and you must take issue with it. It may be gracious of partners to acknowledge your good work, but your focus should be on supporting and cultivating the strengths of the new leader.

In a recent discussion with a soon-to-retire firm leader, I discussed a number of substantive issues he need to discuss with his successor including how he needed to handle communications with his various partners after he passed on the baton. Here is the script he prepared for himself to communicate to his successor:

> *"I'll always be here to help you, but you should expect that some of our beloved partners are probably going to go around you and come to me whenever you make an unpopular decision. And, if you are doing your job as our new firm leader, as I know you will, this is guaranteed to happen. I want you to be confident that I am not going to respond, in any way, to any complaints, so don't let the prospect of my responding, impact your decision making. Even if you choose to fire someone who has worked closely with me for many years, you should proceed to take that action. And rest assured that if I don't agree with some course of action or observe you doing something contrary to the way I did it, I would not go to any partner to voice my feelings. This is now your firm to lead and you may call upon me should you ever feel the need for a sounding board."*

FINALLY, the best advice I can frankly give any leader leaving office is to simply let go. And 'letting go' means not sitting on the executive committee/board, not moving from "Managing Partner' to Firm Chair' and not being involved in any way in the leadership of the firm.

Never mind all those lovely things they said about you at your retirement dinner. You are now a beloved part of the firm's history. The firm must learn to live without you, so the sooner you get out of the way, the sooner they get down to business.

When You Are The Incoming Leader

Few new firm leaders are as prepared as we, or they, might wish. As one expressed it:

> *"New firm leaders mistakenly believe that because they have served as a practice group manager, as an office head, or on the firm's executive committee they have the necessary background for taking on the role of leading the entire firm . . . Not even close!"*

FIRST, most professionals really do dramatically underestimate the scope and responsibility of managing an entire firm. One thing we should insist on is that the managing partner have a detailed job description. That description must get widely circulated throughout the firm so that everybody gets a true sense of what the job entails. One thorough description that we examined encompassed around sixty bullet points of responsibility.

I often tease new firm leaders by asking them what they could possibly have been thinking when they took on such responsibility. For all the burdens they are willing to shoulder, their willingness to do so is often disparaged. Many partners see management as pure overhead, as drudgery that does not really reflect on the legal professionalism that defines a lawyer, and does not generate revenue like practicing law actually does.

Meanwhile, partners at law firms often bristle at any suggestion that they can or ought to be *led*. Firm leaders feel they are sacrificing for the betterment of the firm and should be appropriately appreciated. The partners think of you as serving at their pleasure; they are allowing you to hold the leadership title, so you should be beholden to them!

Thus one of the common mistakes that new firm leaders make is thinking this appointment is about you, when it's all about them. As you begin your new role, it is quite seductive to take to heart all of the wonderful best wishes, congratulations and accolades. You will only succeed when you recognize the truth – you may be the firm's leader, but your partners don't work for you. You now work for them and they have just become your most important client.

SECOND, many of these same pofessionals then underestimate the time that is going to be required of them to really do this job.

A recent Citibank/HBR 2014 Client Advisory, provided a commentary under the title: *The Leadership Challenge.* According to the report, *"One development which gives us concern is that some of the newer breed of leaders continue to maintain busy, full time practices. In this scenario, their clients' needs are likely to take priority, to the detriment of the management of the firm. If we could see any change, it would be that firms recognize that to be effective, the firm leader is best performed as a full time role."*

Indeed, the biggest issue I hear about from new leaders is always the amount of time it takes to do the job. Many of them are not full-time managing partners so they struggle with trying to maintain some balance between the time needed to manage the firm and the time required to maintain some modest personal practice.

Here's a tip: Create a *Stop Doing* List. Take a look at your desk. If you're like most hard-charging leaders, you've got a well-articulated to-do list. We've all been told that leaders make things happen -- and that's true. But it's also true that great leaders distinguish themselves by their unyielding discipline to stop doing anything and everything that doesn't fit.

THIRD, any new firm leader needs to get a clear sense of their partner's expectations. Coming into this job you are a professional with a great internal reputation. It is therefore, anticipated that you will create momentum quickly and deliver results. Expectations are high and you do not want to disappoint, and that concern over not disappointing will therefore mistakenly have you entering the fray with a given strategy in mind.

New leaders believe that their successful track record, combined with their mandate, guarantees the support of the partnership. They focus attention on the technical aspects of implementing their strategy, wrongly assuming that a critical mass of support is in place. The higher the expectations, the more they believe that everyone is behind them, and the more likely they are to assume that they are on the right track. As a result, they act first and ask questions later. In their rush to make their mark, the new leader can neglect taking sufficient time to learn important information, and to more wisely gauge what we call his partners' "appetite for change."

As a new leader, it's understandable that you will feel that you already have the information you need about how people think and feel. After all, you have been a partner in the firm for many years and may have even served on the executive committee/board prior to accepting this mandate. But how much do you really know? It is all too easy to step on people's toes and, as a result, abort even the most promising agenda. As a new leader, you must use your time, ideally before your actual transition, to gain significant information that will refine and maybe redefine your strategic agenda going forward. In most situations, your initial concern should NOT be to hit the ground running, but to *hit the ground listening*.

The Lesson: As early as possible, you must get input from your people on what they see as the preferable direction. Conduct one-on-one interview sessions with your partners (and other professionals in the firm), asking each one the same questions to get their insights, solicit their advice, and see what themes emerge. Clarify what they want to see you "shake up" and what they want to see you "preserve." It is wise to have people see that you are genuinely engaged and willing to listen before you say the first word about where you think the firm needs to go.

FOURTH, as a new leader, you are being observed under a microscope. Your decisions, how you make them, whom you consult with, are all viewed very carefully; likewise, everything you say, and the signals you send. You will be barraged with phone calls and e-mails; with questions, requests, and advice.

You have to be especially careful how your relationships are perceived. If you are coming to the top leadership position after stints as a practice or industry group head, or if you reside in some foreign office, you will likely be perceived as maintaining obvious loyalties to established friends. Once you are identified as being on "one side" of an issue, it becomes even more difficult to solicit disinterested perspectives.

You may need to make time to transform some relationships. Good leaders customize relationships with each individual on their radar screens. And, don't forget to inform people about how best to work with you. As you take charge you will be working with an established team with established work patterns and habits. Important to them is to learn how you like to operate:

- How do you prefer to receive information – in person, by phone, in writing?
- Is your door open or do you prefer that people arrange appointments?
- Do you have any pet peeves that people should know about?
- How do you feel about being called at home?

Help those who report to you, learn how to work with you.

FIFTH, based on what you've been hearing from your interviews with fellow partners, settle on a few major priorities. You can't fix everything at once or do everything you want to do, so you need to make some strategic choices. Here is where you begin to align your firm around a shared direction for the future.

And, within your first 100 days, you need to target a few early wins. Momentum counts and nothing succeeds like success. Pick some problem your firm has not been able to address and figure out a way to fix it quickly. That is how you ensure the perception of a successful transition.

One firm leader began her term with an initiative wherein numerous of the professionals and staff throughout the firm collaborated together in small task forces to identify the firm's "sacred cows" – those things that were being done internally that made no sense, frustrated clients and impaired the delivery of good service. She then set about having these same task forces kill the sacred cows by either proposing ways to effectively eliminate the past procedures, change behaviors and adopt new approaches. Don't ignore the power of accomplishing a small win. Listen, look around and find some small win that you can bring about.

FINALLY, contrary to what some business literature suggests, real leaders don't worry about legacies. They care instead about the long-term competitive vitality of their firms. If you are focused on fashioning a legacy, you will be remembered as . . . the individual who was focused on fashioning a legacy!

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