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FINDING SUCCESS IN SUCCESSION PLANNING

PLUS: 2017 ASSOCIATE PAY SURVEY

WHAT'S

THE PLAN?



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MEIGHAN HARMON, Schiller DuCanto & Fleck

SUCCESS IN SUCCESSION CAN MAKE OR BREAK A FIRM

When Chuhak & Tecson's Josh Hyman began pondering his next career move about a year ago, he took to the internet.

"Things that lawyers do after the age of 50," he Googled. A brainstorming session ensued. He had contemplated everything from going into business with friends to opening a rotisserie-style chicken shack before he concluded that he's going to develop a computer lab in southwest Chicago to educate kids who don't have access to technology.

Hyman was able to do all of this with perhaps a smaller degree of stress since he knew the legal practice he had developed was going to be in good hands.

Hyman had announced in January 2013 his plans to leave the role as the firm's banking practice group leader within five years. He didn't know if his future held chicken shacks or tech labs, but thanks to a strong succession plan, the practice group he started in 2002 was prepared for its own next step.

On Jan. 1 of this year, his title changed to special counsel, a role in which he still works at the firm, but no longer has administrative duties.

Hyman credits having a succession plan in place and following through on it over the course of those four years as to why the practice has seen no turnover in its attorneys and no loss of clients.

Following the announcement that he would be leaving the position, Hyman began preparing other attorneys in the practice group to take over his clientele. He then began thinking about who would be next to chair the practice group. After what Hyman called an "organic" process of first consulting with the partners in his practice group, then with the firm shareholders, Eileen Sethna was named to lead the group.

While that process worked smoothly at Chuhak & Tecson, not all firm leaders may be able to give four years notice. Hyman said that whatever a principal's time frame is for changing roles, it's important to stick to the announced plan.

"The first thing I think was really important was to identify a date certain by which your succession plan will trigger. Too many lawyers wait. They're ambiguous about it. It's sort of like doing an estate plan. You don't want to sign because you don't



JOSH HYMAN, Chuhak & Tecson

want to acknowledge your death ... I think fear and uncertainty of the unknown is a big impediment for lawyers identifying that trigger date," he said.

PASSING THE TORCH

For Hyman, forming a succession plan was one of his top priorities when he knew he was ready to pass the torch as practice group leader. In most cases at firms, though, there are no such plans.

Of 562 firms around the country who responded to a 2015 legal sector survey from Cushman & Wakefield, a real estate consulting firm, only 15 percent said they had a formal suc-

cession plan. An additional 27 percent said they had an informal one. The greatest number of respondents — 32 percent — said they had no plan.

A 2015 Altman Weil survey found a greater chunk of its respondents — 31 percent — had a formal succession planning process for lawyers approaching retirement. That number was up from about 27 percent in its 2013 survey, although there is a note in the newer survey's margins: "The progress firms have made in two years does not show the level of seriousness that is needed to address this huge problem in the profession."

The lack of planning appears to be even more significant when it comes to smaller practices. When the Attorney Registration & Disciplinary Commission surveyed attorneys during the registration process last year, it found that 77 percent of the state's approximately 13,500 sole practitioners had no written succession plans.

What difference does having a plan make? In severe cases, no plan can lead to the disintegration of a firm, according to legal consultant Kent Zimmermann.

"Particularly in firms with less than a couple hundred lawyers, there is an increased likelihood that a lack of effective succession planning could be an impediment to the firm's long-term succession," said Zimmermann, a principal with Chicago-based Zeughauser Group. "Some firms where that happens start to lose top talent who get concerned about the firm's future ... then they find that they need to merge out of necessity, or they slowly become less competitive in the market because they don't have the leadership they need."

Zimmermann and many Chicago law firm leaders said they think more firms are thinking seriously about developing formal succession plans.

The growing interest is a part of what led Neal, Gerber & Eisenberg's leader, Scott Fisher, to begin researching the topic himself recently. Fisher was named as the firm's managing partner in 2015 and began in the role in January 2016.

Fisher, 45, is only the second managing partner of the 31-year-old firm, which was run by an executive committee for its first 11 years.

Fisher largely credited the firm's smooth transition to his former managing partner Jerry Biederman, whom Fisher said helped him prepare for the role.

"For Jerry, this was not a victory lap," Fisher said. "It was about what's in the best interest of the enterprise."

Looking back on the process his firm went through, Fisher offered his tips for the most successful transition: focus on timing, openly communicate, understand the firm's history and the context in which the successor is assuming the role, be self-aware and understand and embrace generational diversities.

Before any plan can happen, he emphasized, the firm's leadership must be prepared to look ahead.

"Does the current leadership team have in its view the best interests of the enterprise and its long-term viability, or themselves?" he said. "I think the challenge for any firm grappling with

this is probably some self-reflection and to assess: What does the world look like for them out 10 years?"

In Neal, Gerber & Eisenberg's case, the firm's executive committee selected Fisher as its managing partner from a pool of attorneys it had considered. The announcement came six months before Fisher took the reins, a timeline which he said can vary from firm to firm, but is critical in each and every case.

"I think we were quite successful in being very deliberate in what our plan was, communicating and then executing on it. My advice to anyone else going through a transition would be the same: Be deliberate about identifying what your plan is, communicating it, setting deadlines and then meeting them."

The six-month transition period at Neal, Gerber & Eisenberg gave Fisher time to work closely with Biederman, including one-on-one meetings every week in which they talked about Biederman's responsibilities.

In addition to sticking to a timeline, Fisher said he was sure to be transparent throughout the process of becoming the firm's first new leader in 19 years. Fisher said he often meets with associates and partners to get their input on issues, keeps his door open and surrounds himself with people who will give him honest feedback.

While Fisher noted that he thinks there are certain guideposts that are essential to a successful transition, how a firm goes about executing a plan can lead to differing results.

"I think this is more art than science," he said.

EXPECTING THE UNEXPECTED

Fisher isn't the only Chicago firm leader who understands the importance of timing in leadership transitions.

At Hinshaw & Culbertson, three firm leaders each died unexpectedly of heart attacks during a 10-year period before Donald Mrozek became its chairman in 1989.

When managing partner Dennis Horan died in 1988, the firm's partners weren't sure what to do.

"We were totally unprepared for what was going to happen next," said Mrozek, who stepped down as chairman in 2015 after serving in the role for nearly 27 years. "It was a very unpleasant experience. There was a lot of disagreement among the partners as to who should take over without any preparation for the job."

When Mrozek was named the firm's leader about a year after Horan's death, the partners had a "businesslike discussion" that went into selecting him as leader, but there was no thought-out, written plan.

About 10 years after Mrozek was named chair, he and other leaders at the firm began to recognize the need for a more formal succession plan, or a "breathing document" that could be altered over time.

"The new reality set in. I had been there a long time already by then, and we better start having a plan in place for how we're going to proceed with transition," he said.

That plan was later used when the firm went about naming

Kevin Burke as its new chairman in June 2015. The firm's protocol for succession calls for each equity partner to be interviewed in order to get their thoughts on who should be the firm's next leader.

Mrozek formed a blue-ribbon committee of attorneys who weren't in leadership positions at the firm to interview all of the equity partners. That group then took the partners' responses and made a recommendation to Mrozek. He forwarded that recommendation to the management committee, which had a lengthy discussion. The entire partnership then voted, and Burke was unanimously named the firm's leader.



DONALD MROZEK, Hinshaw & Culbertson

Mrozek said having that protocol in place long before it came time to select a successor was essential to the smooth transition.

"Firms really need to become both more proactive in this arena and if they're going to do it right, they need to address it when it's not an issue," he said. "Timing is very important here. Getting something in place before the event is critical."

Since Burke was named as chairman, Mrozek has established and currently chairs the firm's new Consultants and Coaches for the Profession practice, in which some of Hinshaw's more experienced attorneys offer up their advice on business-related legal issues to other attorneys and firms.

Mrozek noted that changes in the legal profession add to the fact that firms shouldn't simply name their latest successors based on whomever has the biggest books of business or the most seniority. Some of those changes involve more complex business issues facing law firms, which he said include technological advances, the growth and globalization of firms and more complicated organizational structures, such as management of partner agreements.

He described the process of naming a leader as once being like

Coleman said he's found to be essential to his transition and meeting with the firm's partners helped to cement that idea.

"This was really just like a crash course in what the partnership believed and wanted, and it really showed me what the views of the partnership were, and that's where you get the balance of change versus continuity," he said.

"It was enriching, it was rewarding, it helped me realize the importance of keeping these conversations going, of asking the partnership, what do you want? I think a transition can help spark this dialogue and engagement. When they know there's a new chair coming in, they're more apt to tell us what they think," he added. "It helped create this sense of great enthusiasm and support, so nobody felt excluded from the process. Even though the vote was at the management committee level, we were hearing from all of our partners."

After the interviews, all five candidates presented their visions to the management committee, who selected Coleman as chair.

Prior to Coleman's selection, he had been involved in a number of leadership roles at the firm that prepared him for the position, including serving as the global head of the firm's corporate and

"I THINK A TRANSITION CAN HELP SPARK THIS DIALOGUE AND ENGAGEMENT."

a game of musical chairs, passing every few years between leaders. About 15 years ago, though, Mrozek said the roles changed to become more career-type positions, with attorneys often remaining as chairmen or managing partners for the long run.

"A lot of us that have been in roles for a long time recognized that 'Hey, I want my legacy to be strong. What's good for the firm is that I pass this torch and be here to help ensure a smooth transition and I think partners in law firms, overall, share that now,'" he said.

EMBRACING CHANGE

As smooth as a firm can hope a leadership transition will be, it will inevitably involve change, something Ira Coleman, the new chairman of McDermott Will & Emery, has embraced.

Coleman was elected to the position following a highly involved process that included five people campaigning for the chairmanship. Each of them went around the world to McDermott offices as a part of what Coleman called an "appropriately grueling" process wherein they interviewed with various partners over a five-week period.

Finding a balance between continuity and change is what

transactional practice and as the partner-in-charge of the Miami office.

Those roles weren't necessarily a part of a formal succession plan, but they served as stepping stones to him being considered for the chairmanship. The others who vied for the position similarly had been in leadership positions, Coleman said.

"It wasn't one boot camp for all of us so to speak over the last five years, it was more or less an individualized leadership training program for many of us and the result is that you have a firm that's got a lot of people who are in a position to be prepared to lead it," he said.

A SEAT AT THE TABLE

While training top-level leaders can be a part of a succession planning approach, involving younger attorneys in marketing and preparing them for leadership roles can also be a part of the process. In the Cushman & Wakefield study, 56 percent of respondents who were associates said they are not currently involved with partner succession, but would like to be.

At family law firm Schiller DuCanto & Fleck, younger attorneys are encouraged to "learn the business of the practice while you're learning the practice," said senior partner Meighan Harmon.

Harmon, 45, was nominated in 2015 to join the firm's executive committee. She said she thinks this was a part of the committee members' vision of wanting to give younger attorneys a seat at the table.

"I think that having younger people on the executive committee early so that they have a long lead time in learning the business of the firm before we're expected to run with it someday eventually is important because the longer you have the ability to observe and learn, the better you're going to be when the time comes," she said.

"Giving us a long runway to really meaningfully have an opportunity to learn about the detailed business operations of the firm is the plan, and I think it's a great idea," she added.

Harmon acknowledged that there can be a challenge, though, when it comes to finding the right way to go about selecting a firm's new top leader.

"The amount of business any particular capital partner generates is certainly a factor in terms of how much influence they should have, but in certain respects having the people who generate the most money running the firm too doesn't make the most sense in the world. You should be giving them the time and the freedom to focus on bringing the business in the door," she said. "That's a little bit of a paradox in a way that everybody has got to figure out how to navigate."

Ten years ago, that paradox might not have been as prevalent, according to Zimmermann, who has a theory that firms have

gotten smarter about naming their top leaders since the market crash forced them to do so.

"Before things got so competitive, it was easy for many firms to succeed in spite of themselves. In other words, it was easy for many firms to succeed even if they didn't have an effective leader," he said. "Post-2008, the industry has gotten far more competitive. It's much harder to succeed without effective leadership."

Zimmermann said he doesn't think there's a one-size-fits-all approach to succession planning, and there are a multitude of factors to consider in the process. Chief among them all, Zimmermann said, is partner buy-in.

Equally important to having the firm's partnership on board with the outline succession process, he added, is developing a plan in the first place.

"I think it behooves firms to come to a consensus among key partners in the firm about what the approach and process should be before a firm actually needs to embark on the process," he said. "I think it's never too early. Even if you don't need to go through it yet, I think it's a good idea and sometimes even better to do it when it's not personalized to specific people, to just develop an approach and process that the firm will use when the time comes." CL

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