

EXTRA

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Leading Issue

Successful organizations plan for leadership succession well before a crisis. Firms need to engage up-and-coming leaders to develop skills. **By Robert Fortunato**

The story has become all too familiar over the past few years: A key leader/rainmaker within a firm leaves unexpectedly. The leader did not, or could not, effectively plan for succession. The member's departure creates a leadership vacuum within the firm, and the firm finds maintaining relationships with key clients and partners difficult.

Headhunters lure a number of the more lucrative professionals to other firms, and revenues and profits plummet as expensive real estate sits empty. The firm struggles to repair the damage over the course of months or years and engages potential merger partners to salvage the firm. The remaining partners lose confidence as merger talks drag on, and the firm splinters as partners shop for the best platform for their individual practices.

These accelerating downward spirals highlight a key vulnerability in professional-services firms. Most firm leaders are the principal rainmakers and, as a result, the risk to the firm doubles when a transition is necessary. Not only do law firms need to engender leadership skill and management philosophy in succession management, they also need to transition client relationships. These

problems make succession planning absolutely critical for professional service-firms.

If a firm is too dependent on a key leader, sudden changes in that leader's health or an accident can endanger the entire future of a firm. A partner at an investment-banking firm, whose managing partner recently was diagnosed with terminal cancer, put it this way: "Having to deal with succession planning at this point is doubly hard. Every time we engage in the [transition] conversation, we have to deal with saying goodbye. Facing the emotional side of it, while at the same time trying to transition the business, becomes overwhelming."

Successful organizations plan for leadership succession well before a crisis.

Following nine key steps can reduce the risks associated with leadership succession.

Start as Soon as Possible

Know that it takes years to groom leaders and truly institutionalize clients; therefore, succession management should be an ongoing process, not an event.

The much feared and publicized retirement of General Electric Co.'s Jack Welch two years ago was a nonevent because the transition was years



in the making. Most people do not realize that Welch was just one of a string of great leaders at the company that go back to its founding. Disciplined succession management reduced the potential impact of the company's transition to new president and chief executive officer Jeffrey Immelt.

The company's successful transitions were only possible because leadership succession planning has been an integral part of the organization's culture for generations.

Profile the Risks to Your Firm in Three Ways

Addressing any problem is

virtually impossible unless you first clearly understand it. Every successful succession plan will start with analysis in three areas.

- Determine how vulnerable your firm is under various scenarios. These scenarios should include everyone on your leadership team.

- Evaluate the leadership structure in relation to changes in the size of your firm. Leadership structures should be thought of as a tool and should vary depending on the size of the firm and what your firm is trying to accomplish.

- Gauge how institutionalized key clients are. How many

partners or offices are working with your top clients? Does your compensation system and culture promote the sharing of work and client relationships across the firm?

Think About Succession at Every Level

For succession management to be effective, firms must initiate it at the senior level all the way through staff functions. It must become part of the culture at all levels. This is especially important as more complex practice group and staff structures become more prevalent. The need for development at these levels is critical because it is the training ground for future leaders.

Evaluate Your Culture

The culture of compliance that exists within the associate ranks at most law firms is counter to the skills that are needed for leadership. Fostering potential leaders that can both challenge the system and build consensus is essential and may require new ways of developing associates.

In addition, the interpersonal dynamics of big business generators does not allow strong leaders to emerge behind them. As a result, there may be a vacuum of talent at the next level in terms of leadership capability. If this “hole” in leadership capacity exists, it will need to be addressed.

Evaluate Your Needs

Before you survey the talent, you first need to understand the qualities good leaders need to be effective, given the firm’s goals and culture.

Determine the responsibilities new leaders would have and the style of leadership that is most appropriate. Then think about who has — or could develop — the attributes, acumen and abilities to be successful within your firm.

■ **Attributes.** Are they motivated to get results for the firm, and less motivated by personal gain? Are they able to learn and recover from situations quickly? Do they know who they are and

what their values are? Are they willing to be accountable and willing to make difficult decisions?

How refined is their “emotional intelligence,” and do they have a personal style that can adapt to others and different situations easily? Are they secure enough to develop the next generation of leaders behind them?

■ **Acumen.** What experiences, relationships and knowledge are necessary to be successful within the firm?

■ **Abilities.** What skills do they need to effectively set a vision, facilitate change, build teams and manage complex projects? Are they credible with clients and influential partners within the firm?

Don’t Pick Just One

At every level, groom a stable of leaders and build overall leadership capacity.

Relying on an anointed internal successor can be risky. Too often, high performing individuals get “slotted” working in a specific practice, or with a relatively small number of partners.

The firm must facilitate the development of good working relationships at each level across the firm. This knits together cohorts who eventually will be running the firm, and fosters the management “team” approach that is needed as firms get larger. Anointing a leader stifles this relationship-building and presents additional risks should the individual leave.

Relying on leaders brought in from the outside can be risky as well. Integrating outsiders into the firm’s culture and values is often difficult. To be effective, outsiders must develop relationships and understand personal and organizational motives, which takes time and management resources. In addition, bringing in outsiders may demoralize other potential leaders within the firm.

Put Them to Work

Leadership development is not an academic exercise; future leaders need experience to develop their skills. Rotate future leaders through senior positions in your committee

structure and allow them to gain valuable experience in all parts of the firm.

Take a look at the biggest opportunities facing your firm (sometimes disguised as your toughest challenges) and task the future leaders to maximize those opportunities. Broad-based exposure will allow leadership candidates to guide processes, develop consensus and build relationships throughout the firm. By giving potential leaders this responsibility you will be able to gauge who has the capacity to handle managerial responsibility and identify additional developmental needs they may have.

Have Potential Leaders Learn From the Best

True leadership is a rare skill that needs to be cultivated. The art of crafting a vision that people will follow, facilitating change and developing the next generation of leaders is a bit like juggling — you have to make sure all those balls are in play and are working well together.

Future leaders need to learn how to “juggle” the connection between client needs, organizational realities and firm aspirations. They need to understand how leaders work with all constituents to develop consensus at all levels. The only way this can happen is through direct exposure and coaching.

Leaders must understand that coaching and mentoring is one of their primary responsibilities. The foundation of succession management training should be the opportunity to learn from and be coached by leadership.

As a Leader, Know When It Is Time to Relinquish Control

Irrespective of age or position within a firm, leaders need to know when to let the next generation step in. This is often a function of the growth that the firm has sustained over the years. Where it was once reasonable for a single leader to manage all the responsibilities, the size of most firms now makes it difficult to execute decisions. Important initiatives can languish on the leader’s desk too long under

these conditions.

Relinquishing control is one of the hardest parts of the process because often leaders have built the organization to a different level and see it as “their baby.” They have become accustomed to a certain level of control and even may feel threatened by the change. This transition is easier when leaders have coached or mentored the future leaders within the firm.

In this process, leaders could think about their experiences training young lawyers to argue their first motions. The young lawyer will not argue the motion the exact same way the leader would, but if properly managed, the young lawyer will do it right.

The important thing is to agree upfront on goals and communicate throughout the preparation process, so that everyone is clear on what needs to get done. How they get there (with-in reason) should be up to them. There is a time to let go.

Leadership transition is a very similar process in most scenarios.

These nine steps are obviously easier said than done in any organization. Facilitating this process takes focus and skill, but the payoff is worth it. Now, more than ever, firms need to engage up-and-coming leaders to distribute responsibilities and develop skills. Not only are the firms better equipped to deal with managerial issues but the individuals tapped to take on these responsibilities are better at managing cases and clients as a result of the experience.

Lastly, these leadership opportunities increase the likelihood that high performers with leadership capabilities will stay with the firm and invest in its future. In the end, that is the ultimate goal of leadership-succession planning.

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