



2011

Law Firm Succession Planning

An Altman Weil Flash Survey

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Survey Findings

The **Altman Weil Flash Survey on Law Firm Succession Planning** shows the need for effective succession planning is widespread and acute in a majority of law firms.

Survey respondents indicated that, on average, 39% of their partners will retire in the next ten years, and those partners control 50% of their firms' revenue. Not only is the volume of anticipated partner turnover striking, but the differential between the number of lawyers and the larger percentage of revenue they control should motivate firms to assertively address their retirement, succession and transition issues.

Three quarters of responding firms believe that lawyer succession planning is a "critically important" issue in their law firms. However, 84% report that they do not yet have a formal succession plan in place. Of those firms, 83% say they expect to create such a plan within the next one to two years.

Compensation is the greatest hurdle to succession planning, according to the survey. Eighty-four percent of firms are less than fully prepared to deal with compensation issues relating to lawyer phase down and retirement. The number one stumbling block to succession planning is senior partners who resist transitioning client work to the next generation because they don't want to forfeit current compensation.

Despite the absence of a formal plan, many firms seem to be tackling various elements of succession planning on an *ad hoc* basis, reporting that they are working on lawyer, client or leadership succession. Firms are least likely to have made progress on the issues of financial arrangements for retiring partners and compensation during the phase down period.

Analysis and Recommendations

Clearly, most law firms recognize that succession planning is an important issue and many have made a start at addressing it. But this is an area where a cautious, go-slow approach could undermine a firm's long-term health – and, in extreme cases, even lead to its demise.

Law firms can't afford to waste time. With a typical phase down horizon of three to five years, firms need to have plans in place now – not two years from now. And planning must be systematic and structured, including lawyer succession, client succession and leadership succession, as well as related financial and compensation strategies. These issues are all critically interconnected and the ramifications of how a law firm handles them will be felt throughout the organization for years to come.

Sometimes an analysis of current demographics and assessment of the next generation of lawyers may indicate a need to look externally for bench strength. A succession plan may ultimately include a lateral acquisition strategy, or a decision to merge, to acquire another law firm or to be acquired.

Succession planning can be a difficult and emotionally charged issue for law firms. But it cannot be ignored. Firms must take a clear-eyed look at their options, decide what's in the best interests of the partnership and resolve to act quickly and decisively.

About the Survey

Altman Weil surveyed 122 law firms for the **Law Firm Succession Planning Survey** and received responses from 37 firms, a 30% response rate. The survey was conducted in May 2011.

About the Authors

Alan R. Olson is a principal of Altman Weil, Inc. For over twenty-five years, he has advised law firms across the country on strategic planning and practice management. His experience also encompasses projects involving law firm compensation systems, law firm mergers, professional services marketing, organization effectiveness and implementation strategies. He is a thought-leader in the emerging discipline of succession planning for law firms, including leadership and management transitions, practice transitions, compensation systems and key client retention strategies.

Prior to joining Altman Weil, Mr. Olson was a practicing lawyer and held executive positions for two prominent corporations. As a national manager and corporate vice president, he was responsible for divisions and products that spanned at least twelve different industries.

Eric A. Seeger is a principal of Altman Weil, Inc. He works with large and small law firms in the areas of strategy formulation, practice group planning, merger search, merger assessment and organizational audit. Mr. Seeger directs Altman Weil's market research department. Over the years he has managed hundreds of strategic research projects for law firms and legal vendors.

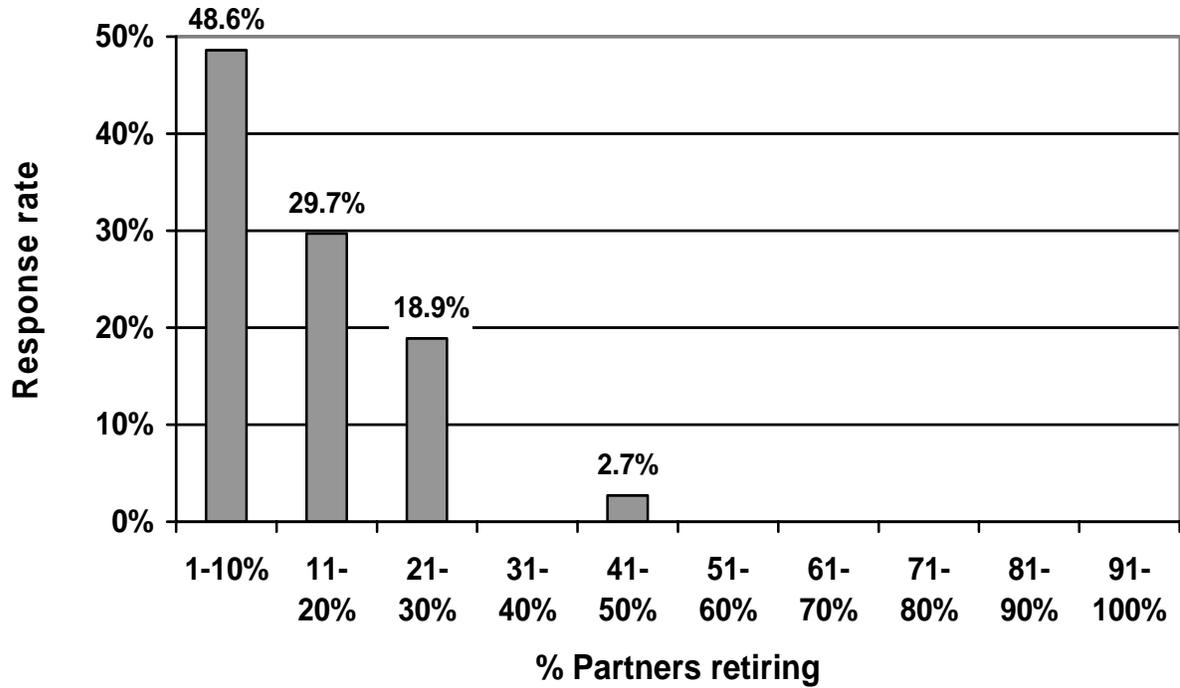
Prior to joining Altman Weil, Mr. Seeger was an independent consultant to law firm and corporate executives. He directed strategic planning for an AmLaw 200 law firm for four years. Previously, he performed market analysis for a global manufacturer, holding leadership positions in the industry's trade association, and served in budgeting and planning capacities for a major university.

About Altman Weil

Founded in 1970, Altman Weil, Inc. is dedicated exclusively to the legal profession. It provides management consulting services to law firms, law departments and legal vendors worldwide. The firm is independently owned by its professional consultants, who have backgrounds in law, industry, finance, marketing, administration and government. More information on Altman Weil can be found at www.altmanweil.com.

1a. Approximately what percentage of your law firm's partners will probably retire or phase down in the next five years?

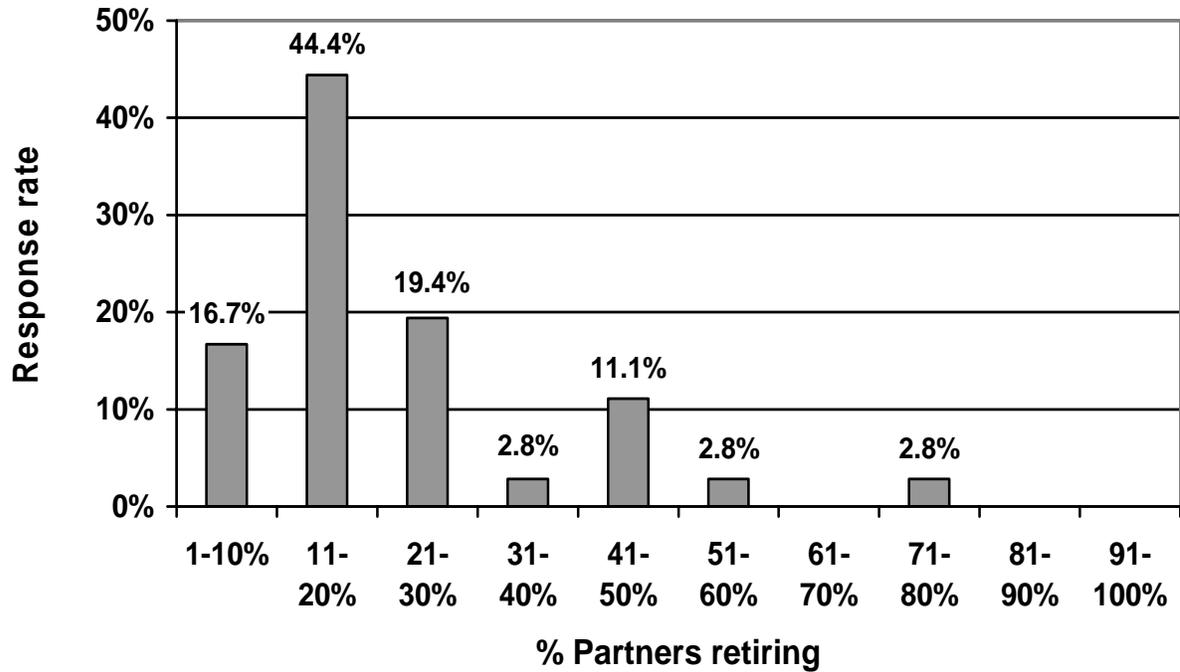
IN THE NEXT 5 YEARS



Average percentage retiring – next five years	15%
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1b. Approximately what percentage of your law firm's partners will probably retire or phase down in the next six to ten years?

IN THE NEXT 6-10 YEARS

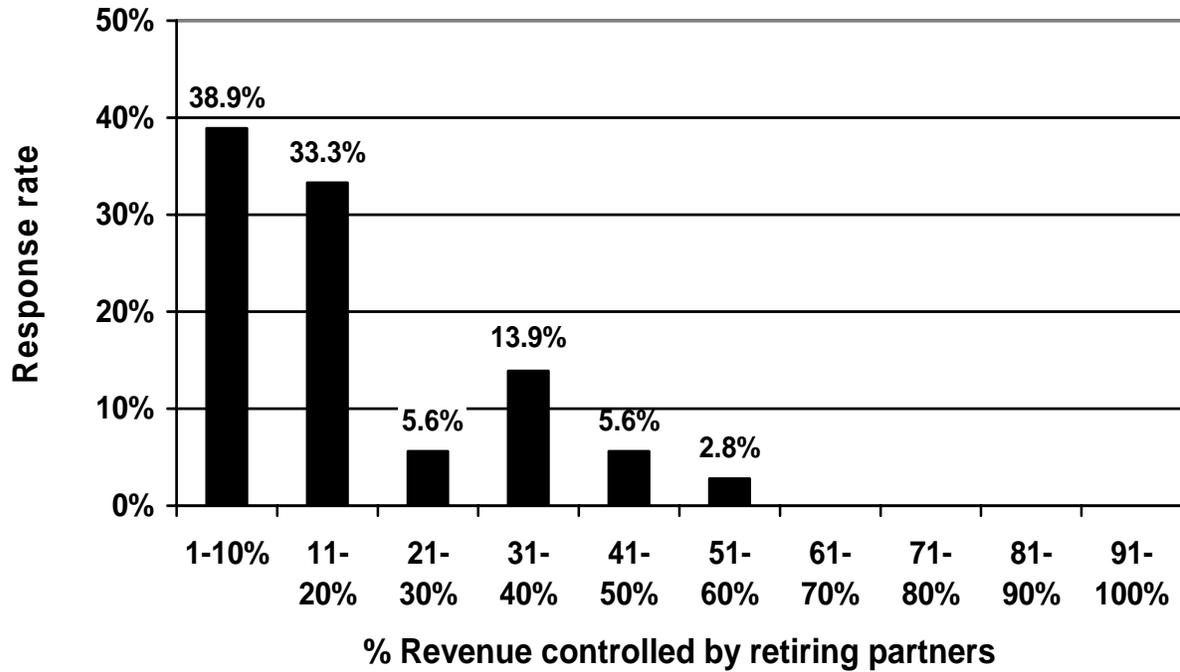


Average percentage retiring – next six to ten years **24%**

Partners Retiring	Average
Next 5 years	15%
Next 6 to 10 years	24%
Next 10 years combined	39%

2a. Approximately what percentage of your law firm's total revenue is controlled by partners who will probably retire or phase down in the next five years?

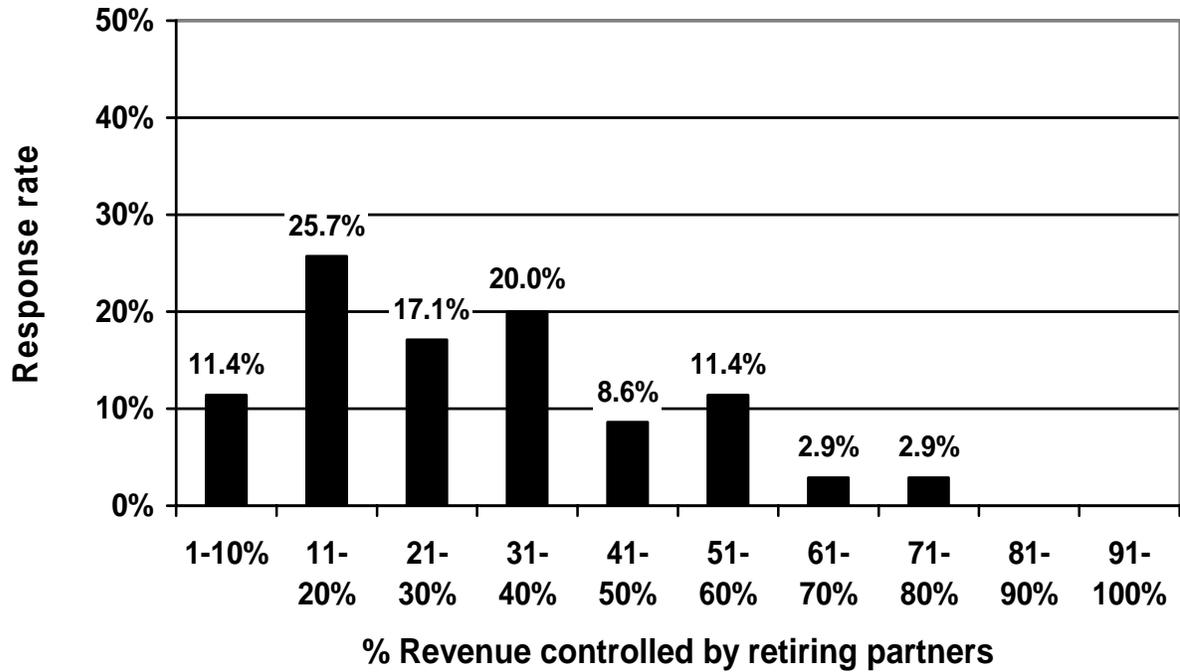
IN THE NEXT 5 YEARS



Average revenue controlled – next five years	18%
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2b. Approximately what percentage of your law firm's total revenue is controlled by partners who will probably retire or phase down in the next six to ten years?

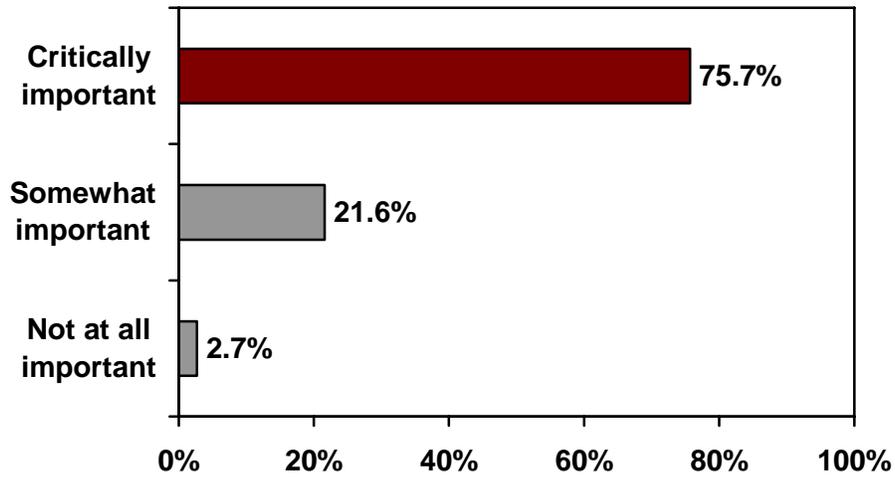
IN THE NEXT 6-10 YEARS



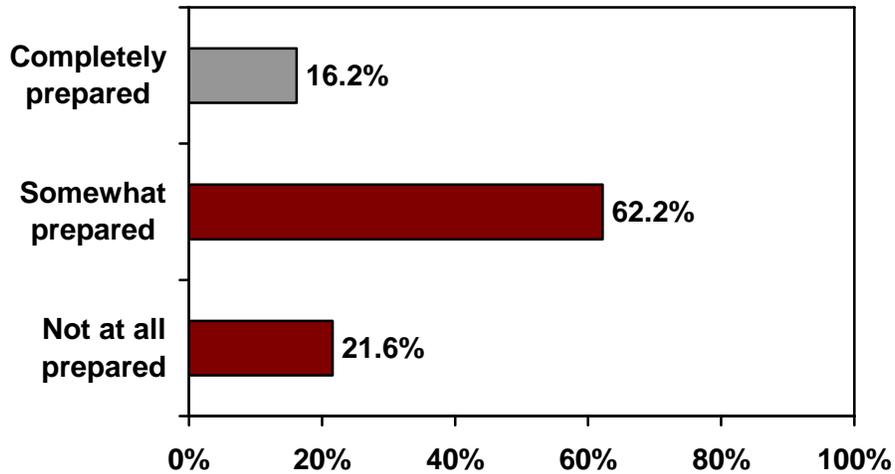
Average revenue controlled – next six to ten years **32%**

Revenue controlled	Average
Next 5 years	18%
Next 6 to 10 years	32%
Next 10 years combined	50%

3. How important is the issue of lawyer succession planning to your law firm?

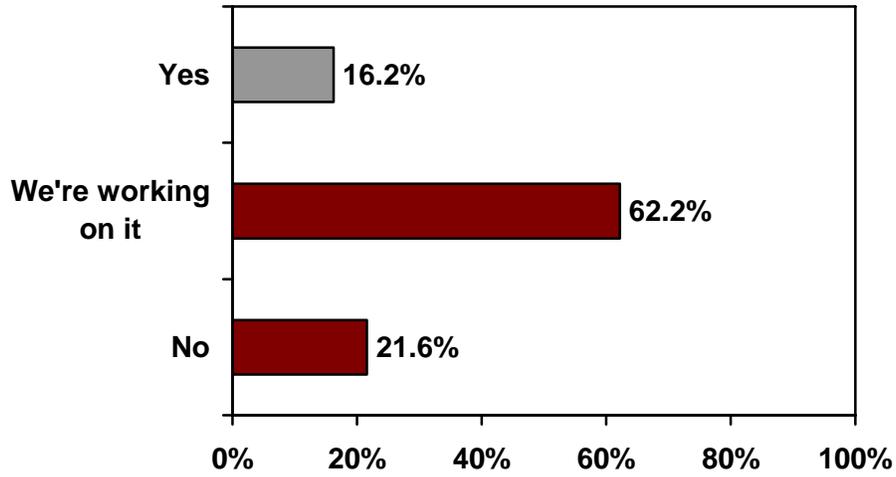


4. How prepared is your firm to deal with compensation issues relating to lawyer phase down and retirement?

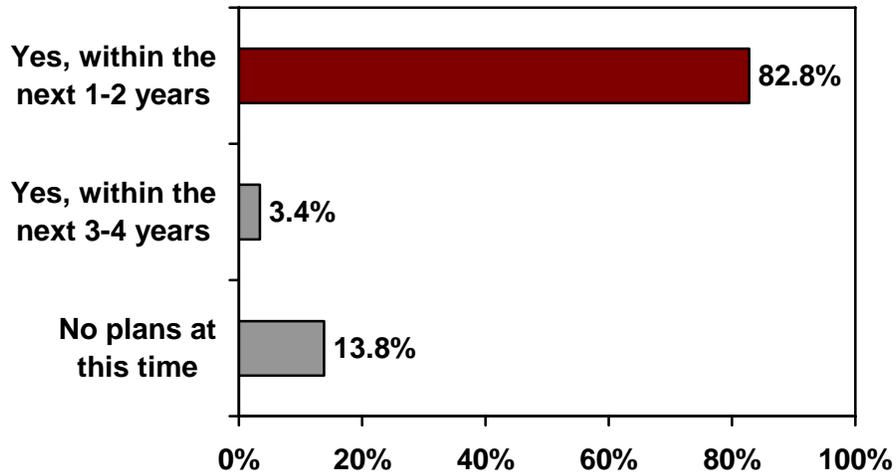


All firms less than fully prepared 83.8%

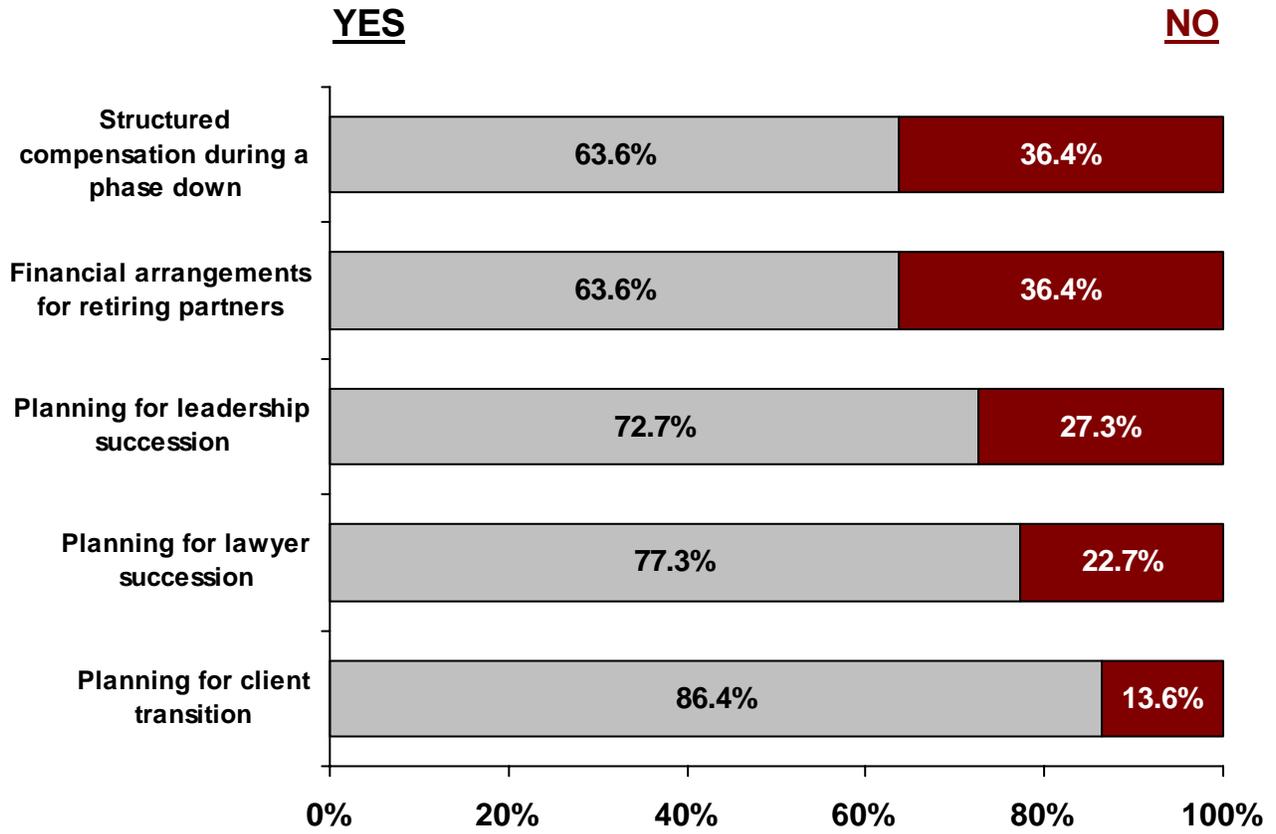
5. Do you have a formal succession program?



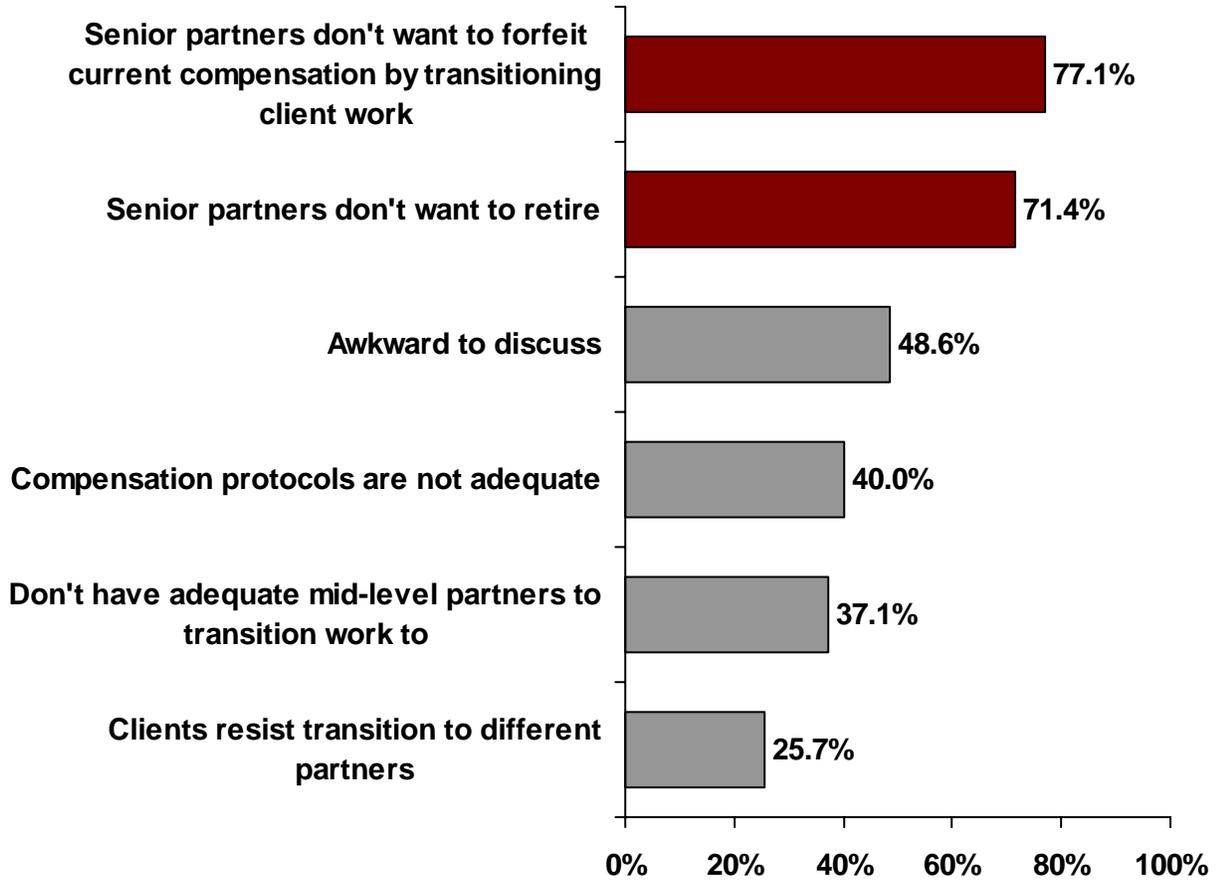
6. If you don't currently have a succession program in place, do you anticipate creating one?



7. If you have a program, does it address any of the following?



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



9. Describe any other stumbling blocks to succession planning in your law firm.

Difficult subject

- Because it is a sensitive subject and emotions get involved, many want to push off the discussion as they don't have the emotional energy to deal with it and their heavy work load as rainmakers.
- Afraid to offend the older Shareholders
- Senior partners not forthcoming in disclosing their long-term plans
- We have a problem with different personal agenda(s) of attorneys in the firm.

Leadership transition

- Leadership has been concentrated with [a few of the] oldest attorneys in the firm. There is a perceived lack of leadership potential in the mid-range attorneys.
- Replacing the loss of leadership is difficult and often requires addressing by acquiring through lateral hiring.

Client transition

- Have not developed a clear strategy to transition work, clients, etc. to mid-level and junior partners.
- Right people to assume relationships

Compensation

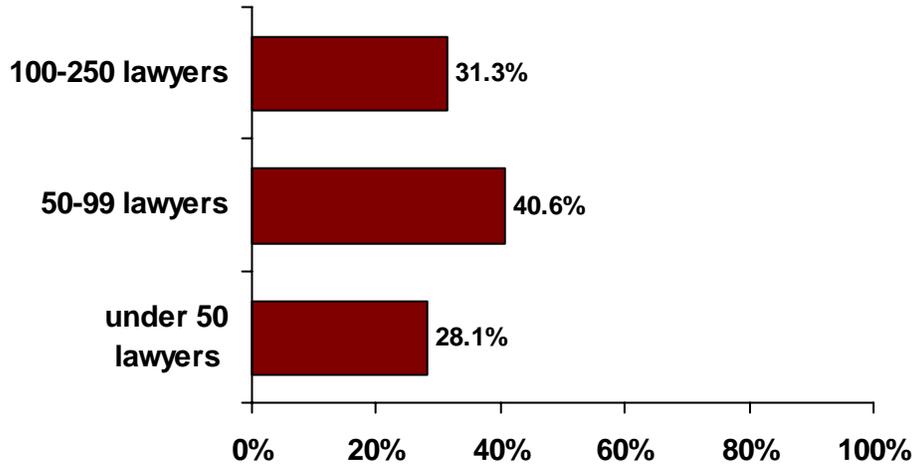
- Some retiring partners may want too much protection of compensation

Other

- Getting the Shareholders to agree on what productivity levels would start the retirement process
- Unclear overall strategic plan for the firm
- Inertia
- Even at 65 partners are vibrant and working hard.
- Space planning is also challenging because you have to plan for growth and then for shrinking.

Survey Demographics

Participant firm size:



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Firm Size	Invited	Participated	% Response
Under 50	32	9	28%
50-99	45	13	41%
100 – 249	27	10	31%
250 or more	18	0	0%
Unreported	--	5	
All	122	37	30%