



Legal Sector Breakfast Briefing

Dumfries

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Legal Sector Breakfast Briefing

Welcome and Introduction

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Legal Sector Breakfast Briefing

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|---------|---|-----------------------|
| 8.30am | - | Arrival and breakfast |
| 9.00am | - | Welcome |
| 9.05am | - | Briefing |
| 10.00am | - | Q & A |
| 10.30am | - | Close |

Succession Planning Strategies – to be competitive

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What is Succession Planning?

Ensuring the current and future well being of a firm by reconciling the interests of –

- Older partners
- Younger partners
- Key staff, including associates
- Managing partners
- Clients
- Others?

Succession Planning is strategic

And **forward planning** is key

- A realistic plan or course of action to gain competitive advantage;
- Which has clear and achievable objectives; and
- Uses available (but scarce) resources (existing or to be generated)

Why do firms need to plan?

- Age profile of owners of the business
- Run - off cover / risk issues
- Economic pressures to reduce size of equity
- Need for overall career paths
- Need to prevent loss of talent and client relationships
- Others?

What should a plan aim to do?

- To make optimum use of all productive resources within the firm and to secure the current and future well being of everyone in the Firm
- Firms need to **creatively** think how to make best use of what they have
- Different sizes of firms will need to adopt different strategies
- Most importantly, the plan must meet the needs of the overwhelming majority of partners

Considerations

- How do we maximise Partner value – both in the short and long term?
- Are we properly organised?
- Are our practice areas future proof?
- Is our age/practice profile aligned?
- Do we know what our younger partners/senior associates want / expect / need?
- How do we keep older partners motivated to hand over relationships to the next generation?

Organisational Issues

- How are we managed?
- Could it be better?
- Can we make more money by releasing partners from management responsibilities?
- How are we managing performance?
- What would we expect of the new organisation?
- We need to build a **business**

Practice areas

- Are we in the right place for now?
- Are we in the right place for the next ten years?
- Have we got the right people in the right places?
- If not, how do we get them?
- We need to be an attractive option for new entrants – i.e. we need to be a profitable business

What should a plan for older partners do?

- To make optimum use of all productive resources within a firm – because people are your only resource
- Older partners need to feel valued and their skills, relationships and experience need to be harnessed and rewarded
- Firms need to **creatively** think how best to use what they have – examples?
- To provide for a planned retirement to suit both parties

Older partners

- Make them feel **valued**
- Harness their skills and experience
- Match rewards to contribution
- Agree a planned handover of clients
- Agree financial arrangements

Preparing for tomorrow - younger partners— does the firm have a future?

- What to put in the place of retiring partners?
- Focusing on younger partners highlights future issues
- Does the firm have the 'people resources' to achieve its future objectives / survive?
- If not, what are the possible options?

Younger partners

Law firms need to:

- Provide clear career paths
- Help them develop skills and experience
- Ease them into client relationships
- Build competitive profitability to recruit and retain the best

Managing career expectations

- Is partnership still the 'holy grail'?
- No stigma to not being a partner
- How to make your firm the place where people want to work?
- Ask them

Investment in the future

- How many law firms have a 'New Partner Programme' designed
 - to bring people through to partnership?
 - and which continues throughout partnership?

Managing Partners

- Need for career paths / parachutes
- Return to fee earning?
- Change of career?
- Is there now a market for managing partners?

Clients

- Firms forget clients at their peril
- Involve clients in your thinking

Re-assess your plan

- How do we replace retiring partners?
- Reassign existing resources?
- Hire new partners/fee earners? (This isn't as easy as it seems)
- Why do we think we are attractive?

An external solution?

- You will need to build an attractive business
- Focus is all important
- Focus on work types / client types
- Sectors where there is / likely to be sustainable growth

It is about **picking winners**

Picking winners?

- Research / analysis of the market
- What kind of law firm should we be building..... to create capital value and a sustainable firm which shows increasing profitability?
- Strategic planning to achieve objectives
- Implementation

A sole practitioner or a small firm?

What does a lawyer have to sell?

- Services / labour?
- Hard assets?
- Goodwill? (the difference between the net hard asset value and a total price)

What do you need to do to have something to sell?

Need **to create** something of value:

- which someone else needs
- which they cannot provide (easily or at an economic cost) for themselves
- The value of which does not depend on your remaining in the business long term

A business likely to be attractive to third party ?

- A strategic fit
- Increasing turnover
- Increasing profitability
- On a sustainable basis
- With a stable and growing client base

Your relationship with the business?

- You will need to separate two elements:
 - your ownership; and
 - your operational involvement
- Reduce / eliminate the dependence of the business on ***your*** skills and labour for its continuing well-being

If you do this in a way that

- The business can continue without you
 - Which is transferable
 - With a sustainable income stream
 - With sustainable profitability
- then you *may* have something of value to sell

A case study

- 1 partner
- 3 other fee earners
- No lease obligations

A niche firm

- In a growing sector – practice attracted work nationally
- Practice limited itself to narrow areas of work in that sector
- Broad range of existing and growing clients

Did the owner have something to sell?

**Whatever type of law firm you are, develop your plan
NOW**

Questions?



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Questions and Conclusion

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