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Succession Planning Important
To Viability of Midsized, Small Firms

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Law firms aren't exactly known for their ability to change quickly. In fact, they tend to be viewed as institutions that are slow to evolve.

But the inevitable retirement of firm leaders is one change all firms know will happen.

While no firm is exempt from succession planning - firms with 1,000 or 10 attorneys alike must plan for it - that preparation, or lack thereof, can really mean the fortification or the doom of small and midsized firms, according to legal industry experts.

That's because small and midsized firms are more likely to have a single or small group of rainmakers whose loss could spell the end of a firm, experts said.

And by virtue of their size, small firms have a limited pool of lawyers to fill retiring leaders' shoes. But even a midsized firm can discover that its group of lawyers doesn't contain a real manager, said consultant Joel A. Rose.

"It really depends on the complement of lawyers, but sometimes firms don't have confidence in any of their people to lead the firm," Rose said.

Rose said firm succession involves two key issues - the orderly transition of firm management and the transition of key clients from senior to midlevel partners.

If a firm is in a situation where it has one or two key rainmakers or longtime leaders, the firm must plan well in advance for those departures, Rose said.

One solution firms come up with is to look outside the firm, said legal marketing consultant Stacy Clark. Clark said firms often start looking for laterals who are ready and interested in leading a firm but who are working at firms that don't allow that opportunity.

Recently, plaintiffs firm Sheller P.C. hired Brian J. McCormick Jr. in an effort to supplement the firm's other young attorneys, including Jamie Sheller, and ensure the firm would have young lawyers in place to take over when the time comes.

"Part of the long-range goal is making sure we have capable management for the future - people who are highly respected and have the ability to manage," the Sheller firm's Founding and Managing Partner Stephen Sheller told *The Legal* last week. "This firm is not going to be a plaintiffs firm that folds or becomes turned over to whoever is sitting there."

In fact, the 11-attorney Sheller firm utilized one way to get younger attorneys primed for management that Rose recommended - give them the responsibility.

"The most typical way of training is to provide opportunity for midlevel and young partners to be members of committees to understand what goes into management," Rose said.

For example, he said, if someone has an interest in finance, give that person an opportunity to work on the firm's finance committee so they can see how the firm handles its money management.

But Rose cautions that giving young partners opportunities to help with management brings up the issue of whether they'll be compensated for that time spent away from working on client matters.

"The question becomes, do [firms] pay them to do it? Managing takes a lot of time, and if attorneys are not going to be paid for it, you run into difficulties," Rose said.

Firms that are concerned about succession will commonly bring in a third party to talk about solutions, Clark said.

That's what Manko Gold Katcher & Fox did recently. Manko Gold founding partner Joseph M. Manko said the firm brought in a consultant to do an analysis of the firm for its long-range strategy.

One of the issues the firm discussed was how Manko's role would be changing, he said. After internal discussion, the Bala Cynwyd-based firm decided that Manko should continue his gradual withdrawal from the firm, but maintain his role as a partner.

Manko said he had offered to become of counsel to the firm at some point, but he said the firm wanted him to continue as partner, even as his time spent working with clients decreases. Manko said he'll be billing 800 hours this year.

But Manko said the firm was happy with its democratic style of governance and decided "if it ain't broke, don't fix it."

Manko said one thing the firm had going for it in terms of succession was that the firm's leadership contained a range of ages. Manko, 67, said name partners Marc E. Gold and Bruce S. Katcher were in their late 50s, while Robert D. Fox was in his late 40s.

That age staggering gives the firm the ability to handle changes at the top, he said.

"When I leave there's not going to be a big void," Manko said. "I've gone out of my way to make sure that younger partners and even senior associates have face-time with our clients."

Peter Villari, founding partner of Villari Brandes & Kline in Conshohocken, also mentioned staggered ages in leadership as a helpful safeguard for his firm when he retires. Villari said he was 10 years older than the other partners.

But Villari acknowledged that nine-attorney Villari Brandes counted on him to be the firm's rainmaker and he was well aware he'd leave a hole when he retires.

Villari said he was well aware of "top- heavy" firms whose leaders' exits had led to their firms' closings. Hence, he said his firm was already talking about ways to prevent that from happening to Villari Brandes, even though he said he does not plan to retire any time soon.

"To me it's an obligation [to plan for succession]," Villari said, adding later, "I have to make sure that [the firm] has a future - to make sure our sources of business continue and that [name partner] Paul [Brandes] can handle things."

Villari said the firm was drafting a shareholder agreement that would provide for when he leaves. And Villari is trying to instill business development into all of the firm's attorneys.

Villari said the firm was also on the lookout for rainmakers to take his place one day. He said he wants to ensure that Villari Brandes continues.

"I see people in our firm working so hard. What are they working for if they don't have a future?" Villari said.

Client transition is another consideration in planning for succession that attorneys mentioned.

Clark said some firms struggled with a senior partner or managing partner who was unwilling to let go of her clients.

Kevin McKeegan, managing partner of Meyer Unkovic & Scott in Pittsburgh, said his firm had focused on client transition in its recent strategic plan.

He said the firm was identifying the attorneys who would soon be "transitioning to new phases of life." McKeegan said those senior partners who were giving up clients had handled the situation well.

"It's more of a communication issue to make sure practices aren't withering away as partners move out," McKeegan said.

Meyer Unkovic has about 60 attorneys.

One thing seems clear - even firms that aren't yet planning for succession are thinking about succession.

Leonard V. Fodera, name partner at seven-attorney Silverman & Fodera, said his firm hadn't thought much about succession yet.

But Fodera said the firm was aware of the importance of all its lawyers being well known by its clients and the community.

"We have the pleasure of having a large source of attorney referrals. . . . We've taken pains to see that those referrals have contacts will all the lawyers in the firm. I want them to feel comfortable if I'm not here to talk to someone else," Fodera said.