

THE VALUE OF THE 'GREY HAIRED' GENERATION IN LAW FIRMS: THE KEY ASPECTS OF SUCCESSION PLANNING

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With record numbers, the International Bar Association (IBA) Annual Conference gathers almost 6,000 delegates in Boston. The topics being discussed in the sessions are wide ranging, but a key factor is that management and leadership are currently top of law firm agendas

Succession planning in law firms was one of the most popular discussions in the recent morning sessions at the IBA 2013 Annual Conference. Law firm managers and senior partners talked about the current policies in place around the world.

While there is a trend to retire senior partners between 55 and 65 years of age, those policies are not necessary transferable in every country where the 'grey haired' generation can be valued differently depending on cultures or even industries and sectors. Some law firms believe that senior partners have to learn to let go and be ready to transfer their clients to younger partners. Others said that senior partners need to be generous with young lawyers as they will be the ones paying their

pension. Often the question is about transitioning ownership to their younger colleagues.

Law firms are, however, engaging their young partners by creating management committees. It is a way to give them ownership and for them to be involved in the decision-making process. However, there is a question as to what would motivate senior partners to give away their main and more valuable asset – clients – and whether governance and policies make this happen.

Some question how strict the transition policies can be for senior partner retirement when a lawyer is not a manufacturing machine but a professional that might actually still be very active and motivated at the age of 56 to 65 or even 70. Many consider that the policies have to be flexible to make sure that the exit is consensual and in the best interest of both sides.

Some law firm managers consider that the crucial issue is to offer a good compensation package to motivate a lawyer to leave happily – in particular to be generous and so that they will be loyal. Not everyone agrees with this statement, however. Others consider that the key is the transitioning period, which needs to start early enough to make sure that if they choose to continue with a second career, it can be also to the benefit of the law firm.

A panellist mentioned how the involvement of senior lawyers on company boards as a form of second career can be an interesting way to use their experience and knowledge and still benefit the law firm. Others said that offering roles such as mentor, coach or client relations can also be a way to recognise their contribution and value their involvement once they stop bringing in client revenue.

The answer, however, is not clear to all. Many believe that it depends on the law firm model as family or founder-based law firms deal with succession differently to institutionalised ones. The vision has to be common and partners need to align to decide what type of law firm they want to be. The retirement age can be clear, but exceptions need to be in place, many said.

The tension remains between the interest of the law firm and those of the lawyer. “It is a question of reciprocal generosity,” said Charles Coward at Uría Menéndez. “New partners do not buy shares to enter equity partnership but when one reaches 65 the equity partnership ends”. Other firms have decided to create committees that, from the age of 55, review the performance and strengths of the senior partners to make sure that the exit strategy or second career opportunities are managed in a coordinated manner.

Senior lawyers at the session believe that what you do beyond law during your career will open the possibilities when it comes to your second career. Fernando Peláez-Pier, Founding Partner at Hoet Peláez Castillo & Duque in Venezuela confirmed this, giving as an example his personal experience as former President of the IBA and currently recruited at KermaPartners as a Consultant for the LatAm region. “There is life after law,” he said, “and it depends on the law firm’s attitude towards their lawyers and the senior lawyer’s approach to new challenges”.

The conclusion of the session was clear: law firms must step away from a binary system that only envisages lawyers either working at their desk or leaving. Maybe law firms should look at their lawyers as ‘people’ to see the real value that they can bring to the business.