

## Executive Summary

Succession planning, the final and arguably most important piece in the employee lifecycle, is integral to the long-term success of any enterprise. Businesses are not immortal; their continued existence, once created, is far from guaranteed. In the current age of innovation and disruption, planning for the future in the present is more critical than ever.

This holds true particularly for the legal sector, an industry where individuals, in the form of equity partners, have outsized impacts on the fortunes of their firms. To ensure their organizations' future, firm leaders must face a governance structure that traditionally incentivizes short-term profit maximization for individuals at the expense of long-term strategic planning and stability for the firm. Consequently, failure to plan the stewardship of the business and its passing to the next generation puts the future of the firm at great risk.

To complicate matters further, firms are now faced with increasing life spans and greater economic and business volatility. Firms without concrete succession plans in place face a waterfall of issues from an excess of Baby Boomer senior partners and a lack of junior and mid-level attorneys. Further, failure to plan not only causes tension internally in terms of securing firm continuity, but also externally by endangering client relationships and firm reputation.

In direct contrast with how they would advise their clients to approach the issue, many firms adopt a "this will all work itself out" attitude instead of planning strategically and formally. Unprepared and underprepared firms often rationalize their ad-hoc approach with statements such as "succession planning is embedded in firm culture" or "succession planning is something everyone does even though it is not formalized." Similar to lateral hiring and strategic planning, law firms that are not creating or sticking to formal succession plans, or reviewing them with any frequency, are putting themselves at risk in the long run.

Relying on industry research and interviews as well as ALM Intelligence's proprietary data, this report is divided into four sections. The first reviews the state of law firm succession planning, and the second takes a closer look at the types of firms that struggle most with the issue. The third section places succession planning in its proper, broader context: The foundation for effective succession planning is laid long before a partner reaches retirement; and effective succession planning is the culmination of a comprehensive talent management program that recognizes the importance of hiring, retaining, and mentoring a diverse, multigenerational workforce. Finally, the fourth sections includes a list of best practices and practical strategies firms should employ to better prepare for their future and smooth the transition of their partnership from one generation to the next.

Time does not stand still, and as a result, the challenges presented cannot be avoided. The only question is: Is your firm ready?