The Changing of the Guard:
Selecting Your Next Firm Leader

Revised and expanded second edition

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About the author

Patrick J. McKenna is an internationally recognized author, lecturer, strategist, and seasoned advisor to the leaders of premier professional service firms; he has also had the honor of working with at least one of the largest firms in over a dozen different countries.

He is the author of numerous books, most notably his international business bestseller *First Among Equals* (currently in its sixth printing and translated into nine languages). His consulting expertise was acknowledged in 2008, when he was identified through independent research compiled and published by Lawdragon as “one of the most trusted names in legal consulting”, and his three decades of experience led to his being the subject of a Harvard Law School Case Study entitled “Innovations In Legal Consulting” (2011). One example of that innovation was his launching the first instructional program designed to specifically address the issues that new firm leaders of larger firms face in their first 100 days – which has thus far graduated over 80 new leaders, many from AmLaw 100 and 200-sized law firms, as well as from notable accounting and consulting firms.

In addition, he serves as contributing editor to *Of Counsel*, *The Legal Practice and Management Report*, based in New York City; was the first expert in professional service firms admitted to the Association of Corporate Executive Coaches, the number one US group for senior level CEO coaches; was acknowledged by *The American Lawyer* magazine as “a longtime succession consultant and coach to new firm leaders” and was the recipient of an honorary fellowship from Leaders Excellence of Harvard Square (2015).

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Introduction: **The leadership succession process**

Every firm eventually finds itself in need of a new leader. The executive committee or board must seek to replace the current incumbent as that individual comes to the end of their term of office, announces a return to their practice, or perhaps is contemplating retirement. Every year we also see firm leaders step down because of a loss of partner confidence, an unexpected disability, a tempting career offer from a prestigious corporate client, or even, on occasion, being laterally recruited by a competing firm! And in many of these instances, a firm's knee-jerk reaction to rapidly find some replacement has them anointing a partner with little-to-no management experience to become the leader of a multi-million dollar business.

My colleague Brian Burke (retired chairman of Baker & Daniels) reminded me recently that some firms tend to react to a leader retiring by overcorrecting. For example, the firm may choose to replace a single long-serving and highly regarded managing partner with a committee of three, perhaps out of some concern that no one partner could possibly do what this last firm leader was able to accomplish. Their next transition will usually see the firm returning to the selection of a single firm leader. So the firm heads in a completely different direction with each subsequent succession – what Brian calls a "curb-to-curb orientation", often without really understanding why the change of course is being made.

How should suitable candidates for firm leadership positions be identified, developed, selected, or elected?

The different approaches

There are, fundamentally, three different approaches to choosing your next firm leader. Leadership transition in firms usually takes the form of heir succession, partner selection, or the contested election. Each of these three approaches has very distinct advantages and disadvantages, and each may be used at different times in a firm's evolution depending upon the "curb-to-curb orientation" to which a firm might succumb.

The heir succession approach

Heir succession is a planned succession in which some partner (an heir) is appointed as a successor months or years before the incumbent firm leader steps down. Following this approach allows your executive committee/board to defer to your current firm leader in the belief that they are best equipped to make the decision about who should replace them.

Advantages

One firm well known for employing this approach is Jones Day, and as they describe it:

> *"Frank Ginn developed the managing partner concept that still is used at Jones Day. It was Ginn's view that lawyers function best when able to focus on practicing law, rather than engaging in debates on such matters as firm administration or allocation of income. He saw no benefit, and significant costs, in a system that tried to mechanically assign credit for client origination or other responsibilities of partners, so no such system ever developed at Jones Day. Universal recognition of Ginn's dedication to the welfare of the firm as a whole, and to the welfare of each partner, allowed the institutionalization of the managing partner system, through which the managing partner has authority to make all management decisions, including designating a successor. Since then, this governance system has never been the subject of any disagreement within the firm. It is one of the critical components of an institutional management approach that has been an important element of the firm's success over the last century."*

Disadvantages

There is some evidence to show that allowing a firm leader, even – and perhaps especially – a very successful one, to choose their successor can bias the selection dynamic.

When the incumbent has accomplished great things for a firm, or been in the position for an extended period of time (over ten years), the executive committee/board can often be tempted to anoint a "clone". The incumbent will not admit that the firm needs someone with different ideas and competencies, and the board can't imagine insulting their highly accomplished partner by turning down their choice.

In these instances, powerful incumbents may assume that they know best and may even exclude elected board members from any succession discussions and decisions. I've witnessed this happen subtly where, over a period of a few years, the incumbent nurtures one particular partner by continually giving that individual increasing responsibility such that everyone just naturally comes to assume that this individual will eventually take over. The incumbent may have good intentions and truly believe that they have an insider's insight into who is the best candidate, but their judgment may also be clouded by a desire to preserve their legacy. There have also been those occasions where the incumbent may have selected someone who they knew they could manipulate. Meanwhile, many of these candidates naively assume that they are prepared because they have observed the firm leader in action, sometimes for a few years. From my years of working with new firm leaders, and as these anointed candidates soon discover, observation is a poor substitute for doing the job.

Often these firm leaders (perhaps unconsciously) are most attracted to a replacement who is their mirror image. Typically, their choice of a successor is a partner whose leadership style, business philosophy, and even personality are similar to the mentor. While in certain instances it may make sense to select a candidate who leads much as their predecessor did, many times it is a mistake. In our rapidly changing marketplace, firms need new leaders who can evolve their firm's competitive strategies and cultures, not replicate them. They need to identify the candidate with the specific skills, knowledge, and "must-have" criteria that the firm may need going forward. The incumbent may believe that if they can find a partner just like them, this new leader will help the firm enjoy the same success that they helped it achieve – but this is unlikely to be true.

I have also seen those instances where an existing leader appears to have anointed a "below-average" candidate. As much as the incumbent wants to select a mirror-image replacement, they come to the conclusion that there is no suitable clone and no one who can begin to accomplish what they have achieved, and so they decide (perhaps unconsciously) to anoint a successor they instinctively know is not up to the job. Such a selection will eventually cause everyone to recognize what a great job the incumbent did as firm leader. It may also result in the executive committee/board asking the incumbent to continue in some form, as the new leader seems to lack enough experience to go it alone. Meanwhile, our retiring leader can justify their actions in all sorts of ways: after all, the new leader will grow into the job; they're still young and eager to learn. To hope that some politically anointed but moderately acceptable candidate will eventually grow into the job can be a perilous gamble.

Finally, there are those occasions wherein the argument is put forward by the incumbent that some partner has now earned or deserves the position and that rewarding them by making them the next firm leader would be the honorable thing to do. In one sense, the notion of earning it is an admirable tradition. If a partner works hard and selflessly contributes time to firm activities, rewarding them seems the proper thing to do. Unfortunately, it is not always in the best interests of your firm. Many have come to realize that rewarding performance or seniority with an appointment to a senior leadership position can backfire. You are assuming that if someone can produce results in one position, they can produce equal or better results in another – when the reality is that the new responsibilities may require entirely different skills.

In the corporate world, a recent study of companies where the CEO handpicked their successors found that almost 80 percent underperformed on the stock market during their tenure. Stanford University Professor David Larcker warns that "CEOs are preoccupied with personal legacy and might pick someone just like themselves".

Prof. Larcker writes: "A retiring CEO might want to ensure continuity of the strategy that he or she has put in place, when instead the company requires change."

The partner selection approach

At some firms, a nominating committee will seek input from all partners regarding leadership needs and suggested candidates. The committee then talks in depth with the prospective candidates regarding their interest, qualifications, and willingness to serve. This partner selection approach is an effort to determine the one single "consensus" candidate that the vast majority of the firm's partners feel would be the best person to take on the responsibility of leading the entire firm and, by doing so, obviate any need for controversy or divisiveness within the firm.

Once a recommendation is made, the committee then puts the matter to the partners for approval. If the nominating process has resulted in only one candidate (as is usually the case), many firms require that in order to be elected, a candidate must receive a majority vote of the partners. This allows partners to either dispute the committee's recommendation by withholding votes or assures the successful candidate the support of a large majority of the partners.

Advantages

Morrison & Foerster described how this process unfolded during their last succession process. According to San Diego partner Don Rushing, who led the chair selection committee:

> *"We had the privilege of speaking with every partner about who the next chair should be. We are in an outstanding position for a transition to a new generation of leadership. Our practices are strong, with headline-grabbing matters across the globe, and financially we are having our best years ever. While a number of candidates could have served the firm well as the chair, we felt that Larren [Nashelsky]'s many personal attributes, combined with his singular success in building a world-class Bankruptcy and Restructuring practice from scratch in one of the world's most competitive legal markets, made him an especially attractive choice to continue MoFo's growth in today's hyper-competitive environment."*

Disadvantages

At one firm, two candidates emerged, each of whom had the strong backing of different sections within the firm. Pressure was exerted by the members of the executive committee for only one name to be put forward, as a contested election was deemed to be not in the firm's best interests. The pressure escalated and eventually resulted in one of the finalists withdrawing their name.

At another firm, a powerful rainmaker quietly made it clear to the board that he would leave if not selected as the new managing partner. Although there was general agreement that he would not be a very good choice, the board members felt obligated to vote in favor. A compromise was negotiated whereby the scope of the new firm leader's job would be reduced.

Finally, there are firms in which the executive committee/board control the selection process and select a leader from among their own membership on the theory that the board members were elected by the partners already. This procedure can lack independence and be subject to undue influence, since any new firm leader is neither ratified nor confirmed by the partners.

The contested election approach

The contested election is an explicit succession process that takes place over a predetermined timeframe in which two or more partners are put through a series of assessments/activities in order to decide who will be chosen/elected as the firm's next leader. While this democratic approach has a philosophical appeal, it can become slightly challenging, as was the case recently in one firm where the contested election resulted in the firm's new leader being elected by a single vote.

Advantages

It could be argued that one of the benefits of a contested election is that it provides a development opportunity for those partners by battle-testing their thinking and giving each the gift of in-depth feedback (increasingly rare as you become more and more senior). The contested election becomes somewhat like a presidential campaign during which the candidates become accustomed to the glare of peer scrutiny, which will obviously prepare them for the real job of being the firm leader. The contested election process can be enormously effective in helping to determine the best leader for the firm.

In one 150-lawyer firm where they had three candidates for the position of firm chair, one admitted to me: "Had I been the only candidate, it would have been a no-brainer and I would not have given preparing to assume office another thought. But because there were three of us, I invested a lot of time thinking about the firm, the issues, and what needed to be addressed going forward. The very notion of having to compete for the position energized me beyond belief."

Firms that are most successful with this approach promote a healthy culture in which partners embrace competition for the top job and the notion that the best firm leader will emerge from the process.

Alan George "A.G." Lafley, author of *The Game-Changer* and former CEO of Procter & Gamble, counseled in the *Harvard Business Review* the same sentiments that I've heard from a number of managing partners that I highly respect:

> *"More horses are better. More candidates means you have more choices, more breadth and depth of leadership, more leaders performing at their peak and delivering better business results, and more leaders to take on more business opportunities. But you don't have to make it a horse race that becomes public. It doesn't have to divide the organization and it doesn't have to distract from the business."*

Disadvantages

While that may sound good, the disadvantage is that a contested election (sometimes called a "horse race") creates an acknowledged winner – and losers. Here is some excerpted commentary, as reported in the legal media, from one contested election. To most readers, this would appear to be extracted from a political campaign of some sort, rather than from the activities of a respectable professional services firm:

> *"Heavyweights prepare to do battle… One partner goes so far as to say it would be 'almost impossible' for him to win the vote… His reputation as a strong public speaker and presenter should stand him in good stead as the three candidates tour the firm's offices ahead of polling… Sources point to this candidate's toughness as an 'effective task master' and a hard worker, even if he may need to work on staying personable to be successful in the leadership campaign… At the end of the day, real estate is not a very exciting background for a managing partner to come from… It seems that no candidate can yet be called the favorite."*

In these kinds of situations, a highly valued partner who loses may ultimately take it very personally and decide to leave the firm. In a discussion with David Morley, the retired senior partner at Allen & Overy, he explained to me:

> *"We have had our current election system since 1998 and never lost any unsuccessful candidate as a result of not being selected for the position they aspired to hold. I don't say it would never happen. However, we go to great lengths to try to avoid that outcome. Three key steps we take include:*
>
> 1. *Our elections are conducted by secret ballot, one partner, one vote (these days all online), [and] by an independent body, the Electoral Reform Society, who specialize in conducting elections to high standards. They have standing instructions only to tell us who the winner is and, specifically, not to tell anyone the number of votes attributable to any candidate. That was designed to avoid any sense of humiliation, etc.*
> 2. *It is accepted that the first call any successful candidate makes – even before his spouse – is to the unsuccessful candidates to thank them and to emphasize they have a bright future in the firm.*
> 3. *We 'show the love' to unsuccessful candidates with many partners going to see them and tell them they want them to stay with us.*
>
> *I think it is also a factor that our elections have never been acrimonious, polarized or conducted by way of personal attacks. That would be a*

fatal election strategy that partners would reject. So there is limited damage done to personal relationships between the candidates."

A contested election can also become quite distracting to everyone as it is politicized through continuous hallway speculation and as various camps develop. As the competition intensifies, it is not uncommon for partners to take sides for or against particular candidates. This can result in overt behavior that deters teamwork and knowledge sharing.

In a number of surveys I have conducted over the past ten years, when asking firms "how often are contested elections the process used to determine who the next firm leader will be", the typical results that I get back may seem surprising:

- 12 percent respond "Always";
- 3 percent respond "Usually";
- 43 percent respond "Sometimes";
- 32 percent respond "Rarely"; and
- 10 percent respond "Never".

These results would lead me to conclude that the majority (58 percent) of firms find themselves at some point having to contend with effectively managing a contested election. At our most recent First 100 Days masterclass for new firm leaders (held in January 2017), all but one of the participants confirmed that there was at least one other contender for the position.

Some of the challenges involved

Whichever methodology you favor, you may expect that the election/selection of a new firm leader will *always* be disruptive and an emotionally charged endeavor. It is rarely a polite ceremonial undertaking. Some of the more common shortcomings that I've observed (and had to work around) in the firm leadership selection process include the following:

- The selection/election process becomes such a complicated endeavor that it causes your firm to lose valuable momentum as individual partners and practice leaders shift to a "stand-by mode", waiting to see what changes await and their firm's future direction. As any effective leadership transition process can take about four to six months in determining the best choice, and then another three months in the proper orientation of the new incumbent, your firm's momentum has the potential to be stalled for close to a year.

- The issues that most firms face have grown ever more complex over the past few years and as a result often need a new leader with competencies and experience very different from those evidenced in your last firm leader. A new firm leader often faces a number of unique and paradoxical challenges – to honor the past while creating the future; to orchestrate both an institutional and symbolic role as head of the firm; and to deal with the issues inherent in leading highly intelligent, autonomous professionals who would never, ever consider themselves as followers.

Unfortunately, rather than doing their homework and pinning down the specific traits and skills necessary, board members may look for celebrities amongst their ranks – those professionals who are leading luminaries or exalted rainmakers – in some misguided belief that the attributes required to be an extraordinary rainmaker are the same as those required to be an effective firm leader. Too many executive committees/boards begin to discuss *who* might be the next firm leader without even knowing *what* they should be looking for. In other words, the default position is that someone who *feeds* the firm most likely also has the capabilities to be someone who *leads* the firm.

> Too often leadership succession is viewed as an event rather than a process.

- Some firms seek instant gratification in selecting someone at the partner's meeting on Saturday and expecting that they should begin in their new role on Monday morning. While that may seem like a gross exaggeration, at the time that this was being written, we were hearing that Deloitte is hyping the election of their first new female CEO – who has been given only one month to prepare to take charge of 65,000 employees and a $15-billion revenue operation. Being a firm leader today is a pressure-packed job and requires orientation time to properly prepare for taking charge. I believe Deloitte's example is a huge disservice to the new CEO, and dangerous to the firm's future prosperity.
- We often see the delicate dynamic whereby a supposedly "retired" firm leader still wanting to "keep their finger on the pulse of the

firm" becomes "chair emeritus" and continues to serve on the executive committee/board, eventually allowing their finger to slowly and subtly strangle any new initiatives, making it very difficult for the new incumbent to be effective. Some former leaders maintain a strong desire to hang on to their management position for dear life.

- Finally, there are those executive committees/boards who really have no idea about, or defined methodology for, how they will approach the leadership selection process, largely because it has been over a decade since they were last required to find a new firm leader. These boards can sometimes be dominated by strong individuals that then prevent the board from orchestrating an effective selection process.

What this book is about

While each firm's situation, culture, circumstances, and partnership agreement terms are somewhat unique, the necessity for determining a succession process that will work for your firm is critical.

What I have attempted to do in this book is outline a comprehensive process involving a number of sequential steps. That said, I fully appreciate that leadership succession is much more than a simple process that can be managed by numbers. Almost by definition, the selection of a new firm leader is a highly charged, zero-sum game – where there can be only one winner. Various groups and partners may have vested interests in the outcome, with some having a personal interest in whether they will have any ability to influence the new incumbent.

Most executive committees and boards are often unprepared for the challenge and time-consuming nature of planning and executing the managing partner selection process… which is probably not all that surprising given that they only have to do it about once every decade! Nevertheless, there are huge consequences. Every partner is watching closely and the process is intensely personal, political, and demanding.

So, how do you manage this selection process? Will certain approaches make the task easier and more efficient? Selecting a new firm leader represents both a real and symbolic transaction. Realistically, succession transfers a degree of power and authority from an old regime to a new one. Symbolically, your selection choice communicates values both in terms of who is selected and how that selection is made. Your leadership selection advances your firm's symbolic identity:

- "He's from one of our branch offices."
- "She will be our first female managing partner."
- "He has considerable international experience."
- "This partner is committed to employing leading-edge technology."

Each of these statements sends a signal about your firm's priorities and directions.

There are numerous rational, political, and emotional issues that you will need to anticipate and prepare for:

The rational

- Identifying, developing, or refining a workable job description;
- Searching for the best candidate compatible to the firm's "future" aspirations and strategy;
- Realistically assessing the candidate(s) using various methods; and
- Determining the very best candidate regardless of personal loyalties.

The political

- Coping with the egos, and strongly expressed views, of power partners;
- Dealing with different factions within your executive committee/board; and
- Avoiding destructive internal politicking.

The emotional

- Helping anyone not selected to accept, adjust, and move forward;
- Helping to create support for the new firm leader; and
- Helping the retiring incumbent to let go and move on.

Obviously, every situation can be distinctive insofar as it must be executed consistent with your firm's governance and partnership agreements. Therefore, your selection processes may differ depending upon size of the firm, whether the final choice is made by the incumbent or determined by election of all shareholders, or selection by your board/executive committee.

Andrew Kent, retired CEO from McMillan LLP (Canada), shared these comments, which I tend to agree with:

> *"I am wondering whether it is a bit like compensation systems: a lot of different processes can work and the process used has to reflect the history and temperament of the particular firm in order to be accepted by the firm. But there are some key issues that the succession process has to address successfully in order to be effective."*

If you are comfortable and have a tradition of following the heir succession approach, then it is highly unlikely you would be reading this material. But if you are, you should at least be examining the chapters on determining the firm challenges your next leader will face, developing/refining the job description, hosting town hall meet and greets, and formally interviewing your heir apparent.

Alternatively, if you are more likely to engage in an approach that is most interested in finding the one "consensus" candidate that will satisfy your selection requirements, then more of the chapters should prove very helpful to you.

Finally, if you are one of the vast majority of firms who find themselves having to contend with effectively managing a contested election, then this book is your technical guide for effectively managing your succession challenges. If this selection process is managed well, your new managing partner will benefit from strong support across multiple constituencies. If managed poorly, internal politics will leave your new firm leader struggling to align various conflicted factions within the firm.

To help you, I will outline the components of an effective process. So, while every situation may be somewhat unique, best practices would suggest that there are five very distinct phases, and each phase has a number of steps.

Appendix A: When a firm leader suddenly departs

I received a call from a partner and member of the executive committee from a mid-sized firm and the conversation went something like this: "Our managing partner has just walked and we need to replace him… like, tomorrow. What should we do?"

The unexpected exit of a firm leader, whether due to unfortunate circumstances, internal conflict, or some immediate career opportunity, can be highly stressful and unsettling for your partners and staff. But it is also capable of unleashing a unique opportunity for change and growth. If such a sudden departure should occur, your concern should not be for where your firm has been, but rather where your firm is going – because that would sharpen your focus on just what kind of firm leader you now need to help get you there.

Therefore, the basic features of your action response should include the following:

The swift appointment of an interim firm leader

Taking this action conveys a message of "business as usual" to your partners and staff and helps avoid the dreaded "limbo period" where no decisions are made.

A thorough assessment of your current condition

Your executive committee/board, together with the interim leader, should immediately conduct a thorough review of where the firm currently is. Did this unexpected exit leave your firm with important matters that require urgent management attention? You need to take stock and ensure that immediate needs are identified and addressed.

Determining where you need to go

Your next step should involve assessing your external circumstances, your competitive environment, and new developments to either chart a new strategic direction or reconfirm your previous aspirations with renewed vigor. This is your opportunity to explore identity and direction.

Developing a profile of the leader who will guide you there

When all are in agreement on your firm's future path, you need to craft a skill and competency profile of the individual that you need to guide you along it. Any legacy issues that might hinder the success of your next firm leader should be identified and addressed.

Beginning the nomination and selection process

A nominations committee is formed and a selection process now commences with enthusiasm based on the knowledge that your executive committee/board has a renewed and realistic view of their preferred direction and the type of leader they will need to help them realize that future.

Selecting your new firm leader

The new leader is engaged with clear performance priorities and an agreed monitoring, support, and evaluation process is in place. Your firm is in a great position to flourish – capacity issues have been addressed, a firm direction has been determined, and a new leader with the appropriate skills, energy, and desire has been engaged to guide it forward.

Appendix B: Self-evident truths about relinquishing leadership

We have all heard it said that "the only thing constant is change itself". Yet many of us don't eagerly embrace the message of this famous axiom when our firms go through the process of changing leadership. Instead, we often resist the transfer of power, clinging to the status quo and the leaders whose familiar ways of managing our firms made our lives so much more predictable.

Concurrently, I have often observed that there is nothing worse than witnessing some firm leader clinging to their position of power long after their "best-before" date, and when the time to make a graceful exit has long passed. It's like watching an aging athlete stumble around the playing field, making clumsy missteps and sinking their team's chances for victory.

I believe there comes a time when every leader needs to "write themselves out of the picture". At Cleveland-based law firm Benesch Friedlander, Jim Hill advocated just such an end to his own job. That is, when the firm began rewriting its partnership agreement, Hill, who had just become managing partner a few years earlier, was a chief proponent for adding term limits to the position.

He explained:

> *"I'm a corporate lawyer, and I've observed a lot of companies that have had somebody in the position of CEO for some 15 years. Now, there may be advantages to that – namely, you have some consistencies – but I also believe it gets a little stale. Fresh blood in the leadership role, from a perspective of planned succession, is the healthiest thing for any organization."*

When successions work smoothly, the long-serving leader honestly embraces reality. He or she understands some "self-evident truths".

The first is that the leader who has announced his or her departure must realize that it simply won't be possible to complete all the tasks sitting on the leader's plate before his or her tenure ends. It just won't happen. So you have to sit down and think it through. In the six months you have remaining, or however long it is, what are the highest priorities you're going to tackle?

Another certainty may hurt, but successful departing leaders understand it. That is, some of your pet projects are just not going to get the same attention when you're gone. You just have to accept that. For example, you have to move past the fact that your firm may never open that branch office in Hawaii that you so dearly wanted.

And then there is the stark reality that, as an outgoing leader, you must move on and give the new incumbent clear authority to lead. Sometimes, that means actually leaving the firm, at least for a while. I've known smart departing firm leaders who have taken a long holiday or sabbatical, in order to give the successor some maneuvering room. You want the new person to be front and center, without having to look over his or her shoulder.

Many observers have been witness to the "meddling syndrome", an affliction that occurs when the former leader stays too close to the circle of power and interferes with the incoming leader's affairs, which consciously or subconsciously undermines all progress.

The last thing any new leader wants as he or she takes the helm is a predecessor whispering in colleagues' ears about "how I would have handled that issue".

Your last impression, as you're going out the door, sets the tone of your legacy. You better make sure that last impression is graceful, humble, and well-orchestrated.

Preface:
The disruption in transitioning to a new firm leader

For some time now, I have been personally appalled at the incredibly short time period that some firms allow for any incoming firm leader to properly orientate themselves to the magnitude of their new role. In some firms, it is as though we met on Saturday to discuss the ongoing management of our firm (perhaps as part of an annual partner retreat), voted for a new leader, and then informed that fortunate individual that they should expect to start in their new role on Monday!

It is doubtful that any firm contemplates the replacement of its firm leader with enthusiasm, even when the departure is expected. Quite apart from the human drama involved, there may be significant direct financial costs to be contemplated.

When a firm leader's departure is predictable, as in the case of their term reaching an end, there remain numerous uncertainties (such as the identity of an appropriate successor) that, if handled poorly, can have a major negative impact on the firm's performance. It is important to understand that overall performance of the firm can suffer, sometimes spectacularly so, during any transition from an outgoing leader to a new one – and I have witnessed examples of this diminished performance extending for as long as a year.

I believe that firms need to be aware of this phenomenon so that they can take appropriate steps to ensure a controlled and effective process that minimizes the inevitable "disruption time". As a starting point, it should be understood that the transition process for any leadership change will involve at least three sequential phases.

1. The "best before" date becomes apparent

The first phase occurs when a firm, for whatever reason, begins to speculate about the continuity of its leadership. This may happen when the leader is coming to the end of his or her acknowledged term in office, is reaching a logical retirement age, is simply perceived to be less enthusiastic and visibly committed to the position, or begins to suffer a lack of partner confidence.

The early warning signs are usually apparent to certain partners, while members of the executive committee or board may start to act in such a way as to indicate they are concerned. Meanwhile, top officials or board members may pose questions, apparently innocently at first, to the COO and key administrative professionals such as: "How are things going around here?"

In some instances, there may be other signs – perhaps frustration, directly expressed amongst the partners, over financial results. Some may even become openly resentful of the firm's management team. Often, I have seen such difficulties occur in firms that have relatively long-serving managing partners.

Sometimes the issues that might lead to the unplanned replacement of a firm leader make legal news and for a time become the subjects of lateral headhunting efforts. In other instances, the situation is barely noticed outside the firm until it is announced that a firm leader is stepping down "to return to their practice".

To the extent that any firm leader is aware his or her position is under threat, diminishing performance under stress may mean the speculation becomes self-fulfilling. Similar circumstances arise when it becomes widely known that an existing leader is likely to retire at some time in the not-too-distant future.

Such speculation as is associated with such warning signs inevitably diverts the attention and time of individual partners to unproductive activities like ruminating over what actions the firm is likely to take and why it is taking so long. Key rainmakers can also become progressively distracted and unsettled. This all compounds the disruption at the firm.

2. The "lame duck" syndrome

The second phase commences immediately upon any announcement that a firm leader is officially stepping down. This is the "lame duck" period that lasts until (and sometimes after) the selection of the new incumbent.

During this period, the influence, authority, and motivation of the outgoing firm leader gradually, if not rapidly, wanes. Amongst both partners and administrative professionals, attention and interest is now directed to the activities of the nominating committee, as well as speculation about who the possible candidates might be, and when the new firm leader is likely to be selected.

The precise timing can often be uncertain, even for those directly involved with the nomination process. Certain of the partners may, not unnaturally, begin to focus more on the politics of the situation and on positioning themselves to best curry favor with any new incumbent. Or, alternatively, the announcement may set off an undesirable competitive dynamic amongst numerous partners through the firm as they vie for attention.

Also, in this second phase, firm leaders need to define the future challenges facing the firm and the qualities that any new firm leader will need in order to address those successfully. Depending on the culture of the firm, this can be very beneficial to improving morale, commitment, and partner relationships. ("Someone is listening to us.")

If this phase is handled well, it can be a very positive experience for the firm and immeasurably helpful to the new leader. Handled poorly, however, this period of hiatus may become an extended one, possibly allowing the firm to drift, if not become immobilized.

3. Getting resettled

The third phase begins when the new firm leader takes up his or her position. Research suggests that, typically, this phase may last for 100 days to six months or more. This is the time it takes for firm partners and administrative professionals to settle into a productive routine after getting oriented to a new leader's different style and approach.

It is also the time when a new leader takes time to assess the firm, its strategic direction, and the competencies of the management team. If, as a result of this assessment, the new incumbent feels obliged to seek significant change in the direction of the firm or to introduce changes to the leadership team, this phase may extend even longer while these key changes are made. And, it can extend even later, while the new management team finds its feet.

Going forward

While each of these three phases may not occur in every firm, this period of transition from one firm leader to the next might easily last for at least 12 months, and sometimes longer. In our increasingly competitive world, most firms simply cannot afford to risk substandard performance for this length of time. The damage can be substantial and the recovery – even with an outstanding new firm leader – long and slow.

Part of the reason is that this transition does not just have an impact on your board, partners, and administrative professionals. Other important stakeholders (e.g. bankers, key clients, and strategic alliances, etc.) can find the process similarly disruptive to their relationship with your firm. Even without assessing these, it is of the utmost importance that all possible steps be taken to minimize the length and negative impact of the transition period.

My experience – strongly supported by academic research into the organizational processes involved – has led me to see that the transition process can and should be managed with as much deliberation and care as the selection process itself to ensure less disruption and a smoother path for the firm going forward.