



## CLIENT RELATIONSHIP TRANSITIONING

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A STRATEGIC CHALLENGE FACING MANY LAW FIRMS

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## Introduction

The issue of transitioning key client relationships is increasingly important in many firms as the baby boomer/senior partners – who are also often the key business-generators and client relationship contacts – near retirement age and the next generation of partners realize the risks associated with those retirements absent some form of proactive planning to preserve the key client relationships. This is particularly true in firms that a) do not feature a team-based approach to practicing law because the client’s exposure to the firm is often controlled and limited by the “relationship partner,” b) are not adept at planning and having frank discussions about the topic, and/or c) cannot properly incentivize senior partners to broaden their client relationships, involve others, and ultimately transition their relationships.

While many firms strive to achieve the “trusted advisor” level of client relationships, those who succeed face additional challenges because those relationships are the most difficult to transition. The client may not see anyone who has the same blend of professional and personal characteristics as the incumbent “trusted advisor” so transitioning *at that level* may not be possible.

A serious commitment to transition client relationships should not be adopted without a solid understanding of the process as well as the associated risks and rewards. This is a challenging effort that has only a modest success rate – even when done very well. In fact, the process itself may result in risks to some client relationships.

## BUSINESS CASE FOR TRANSITION PLANNING

***Less than half of transitioned clients stay with a firm for more than 3 years after the retirement of the primary relationship lawyer. However, this percentage increases as firms utilize a structured approach which aligns individual partner incentives with the firm's need to transition client relationships. The poor success rate noted above is primarily due to the fact that many firms still use ad-hoc, simplistic approaches that overlook the critical elements in a client relationship and are attempted too late.***

*(Source: Company research)*

When weighed against the modest success rate for retaining key client relationships that have been transitioned from one partner to another, the investments in time and money required, the challenges associated with designing and implementing a solid approach, and the risks to current client relationships and the firm (note: all three of these issues are explored later in this report), one is left with the obvious question – why bother?

The obvious answer is that - absent some sort of concerted effort to retain key client relationships after the departure of a “trusted advisor” partner - the firm’s retention rate will be much worse. The competition for clients in most legal markets today is fierce. Other law firms are constantly marketing directly to your clients and trying to differentiate themselves...increasingly in anticipation of a senior partner’s retirement. Without a structured approach to maintain your firm’s edge in the relationship, the playing field levels out and all firms that have expressed any interest are viable candidates when a senior partner departs.

The less obvious reasons to “bother” – to position the firm to a) better retain future/ongoing key client relationships and b) take such relationships from competitors when addressing the same issue in the future – are, in fact, less obvious because they are based on a long-term perspective and concrete assumptions that the firm will 1) successfully adopt a “new” approach to client relationship management and 2) incorporate this approach into the firm’s culture. If these steps are accomplished, then the convergence of key factors that endanger key client relationships today should not recur in the future and your approach

to client relationship management will be distinguishable from the competition, thus positioning your firm to grow by taking market share from competitors while protecting current client relationships.

## BASIC REQUIREMENTS

Prior to implementing a key client relationship transitioning initiative, it is important to determine your firm's relative position against each of the following "keys to success." Any significant shortfall will have to be addressed either before committing to this initiative or during the design of your firm's tailored approach.

1. Strong level of commitment from firm leadership – All of the leaders of the firm must be fully supportive of this initiative or it will result in little change. There are two reasons for this:
  - a. The leaders of the firm usually set, or at least influence, compensation levels and must compensate those who are successfully modifying their behavior in accordance with this initiative. If a senior partner is asked to start transitioning his/her client relationships, does so, and is not treated in accordance with pre-determined expectations in the compensation process, then that partner will immediately revert back to protecting his/her client relationships. He/she will also share this experience with the other partners and mistrust of the initiative will spread.
  - b. The leaders of the firm are role models for the rest of the firm. If the leaders do not act in accordance with their own management initiatives then they should expect no one else to do so. The entire organization takes behavioral cues from its leaders. If there is a disconnect between what the leaders say and what they do, then everyone will emulate the less challenging behavior, which is typically the status quo.

2. An available and capable next generation of partners – This is a simple and obvious point that is critical to this initiative. Absent a sufficiently talented and deep pool of partners to assume responsibility for the key client relationships, the senior partners will not start the process because they do not feel their clients' best interests will be served by the move, which is commendable.

You can assess this by asking yourself:

- Would you hire the person you're pitching?
  - If so, can the client *still* do better elsewhere?
  - Do you know enough about the client (preferences, future plans, personality) to presume that the transition will be perceived as valuable?
- a. A related risky situation is where there are only a few partners who are sufficiently talented to assume responsibility for these relationships, with the result that they will become overloaded with activity. Furthermore, those partners who are not getting opportunities will grow to resent those who are, a circumstance that may create a rift within the partnership. Communications to all partners must be clear as to management's expectations for each. Some will have to accept more of a "service partner" role and understand that partners are selected carefully by senior partners to assume key client relationships. This is not about fairness with respect to distributing clients, but rather about retaining the firm's clients and doing whatever is necessary to achieve that goal. Some partners may need to experience bruised egos for the good of the firm.

- b. If the pool of sufficiently talented partners in the next generation is insufficient to support this initiative, then management must take more of a strategic perspective on the future of the firm and answer the following questions:
  - i. Why aren't our current resources sufficient to support this initiative?
  - ii. Is this a quality/hiring issue or a training and development issue?
  - iii. What are we going to do to improve the quality of our partners so this does not happen again?
  - iv. Can we develop our current people into the types of partners that we need in a very short period of time? Are we willing to make this investment?
  - v. If not, where can we get the needed resources to support this initiative and what impact will bringing in laterals to assume responsibility for key client relationships have on our current group of younger partners? What commitments of time and attention will we make to establish trust between the transitioning partners and the new lateral partners?
- 3. Sufficient time to transition each relationship – A major pitfall in most client transitioning initiatives is not allowing sufficient time to complete the transition. Many firms think that this process merely involves identifying a younger partner for the relationship and notifying the client. This approach *very rarely* works. A much more effective approach also starts with identifying a younger partner for the relationship, but involves a slow phase-out of the senior partner and a concurrent phase-in of the new relationship partner as the client becomes comfortable with the situation and the people involved. This process can take over two years for some “trusted advisor” relationships because those relationships are based on a complex combination of characteristics including legal ability, business sense, interpersonal skills, work-styles, trust, and

candor. Furthermore, communication with the client throughout the process is vital since it is only the client's opinion that really counts. Sometimes the blend of characteristics from the new relationship partner and the client does not mesh properly, and the transition plan needs to be revised accordingly... and always to the client's satisfaction.

4. An agreed-upon target transition date for each key client relationship – Given that the process of successfully transitioning a client relationship can take over two years, the transition team needs to be able to plan “backwards” from a target completion date. Absent a target date, the process may drag on indefinitely and to no defined conclusion.
  - a. Agreeing upon a date for transitioning a key client relationship is challenging for those partners who derive great personal satisfaction from their relationships and have no desire or set plans for retiring. In effect, the firm is asking these partners to start to give up their power base within the firm and plan on significantly altering a chosen lifestyle. Absent alternative and rewarding plans for the partner's available time (e.g., business development, internal training, pro bono matters) and agreed upon expectations with respect to compensation, management should anticipate significant resistance to setting target transition dates for key client relationships.
5. The ability to consider and develop transition strategies from the client's perspective - This not only means “putting yourself in the client's shoes,” but also being willing regularly to seek and respond to client feedback – not just during the transition process but as a regular business function of the firm. An added benefit of formally seeking client feedback is that clients themselves will typically make the business case for succession planning for you. When you regularly hear your clients say things such as “We don't know what we'd do if Joe got hit by a bus tomorrow” or “If Mary left the firm tomorrow we'd leave too because we just don't know

anyone else there,” then they are signaling awareness of the issue and, hopefully, willingness to work with you on the future of the relationship.

6. A complete understanding of the risks associated with this initiative – These risks are examined in the next section of this report.

## RISKS

As with any significant, behavior-based, management-led initiative undertaken within the complex culturally-influenced organizations that are law firms, implementing a key client relationship transitioning plan has several associated risks that must be considered by all involved parties prior to proceeding.

These include –

1. Client departures – As stated in the previous section, transitioning a client relationship is not a unilateral action. The client is the ultimate judge of the success of the initiative and sometimes, for a variety of reasons, will not accept the premise that change is required or will reject the partner identified to assume responsibility for the relationship, or both. Some of these clients may leave the firm out of frustration with the situation. They might also leave because there is a competitor waiting in the wings – someone they might have tried sooner except for the deep relationship with their existing trusted advisor.
  - a. Given the choice between the status quo and change from a comfortable situation/environment, clients (as well as most everyone) often prefer the predictability of the status quo. It is human nature to resist change. In instances where change resistance is significant, it becomes the responsibility of the current client relationship partner and firm management to present the business case for change to the client.



- b. Client loyalty is a very tricky phenomenon – more so in the professional services arena and particularly in practices where market segmentation (i.e., the linking of specific services to specific law firms) is mature and key competitor differentiation is challenging. Some clients will use your attempt to transition their relationship as an opportunity to try a competitor, as mentioned above. In some of these instances, the client would likely have left the firm in the future regardless of the transition. Although some partners will directly link such departures to the key client relationship transitioning initiative, their judgments may not be accurate.
- 2. Signal for competition to increase poaching activities – In today’s highly competitive legal marketplace, and particularly in a marketplace with defined capacity and a few key competitors, practice growth requires taking market share from others. Strategic business developers are constantly looking for opportunities to exploit and use against the competition. It is likely that at least one of your competitors will try to “spin” this initiative in an unflattering manner and use it against you directly with your clients.
  - a. The most typical approach will be to portray your firm as unstable because the senior partners appear to be leaving. The press may well pick up on this storyline, if suggested by a competitor. Another approach will be based on comparisons between the next generation of partners at your firm and the availability of more seasoned partners at the competitor’s firm.
  - b. Your defense against those assertions should be developed as part of the planning process and should include:
    - i. A clearly stated business case for each target client that is based on planning for the long-term future of the relationship – a relationship that *must* at some point change. As business partners, it is far more responsible to address

change proactively than to be reactive. It is critically important to include the client in the succession planning process at every stage.

ii. Open and honest communications about the succession planning initiative throughout the firm, including the support staff. One inaccurate rumor in the press (e.g., the firm is unstable because the senior partners are leaving) can quickly create a high level of anxiety.

iii. Develop key messages well in advance of any possible contact from the media and engage in media training for the firm's spokespeople, if needed. While you have the luxury of time, think about how you want to position the firm for the future with clients, prospective clients, potential laterals, and competitors.

3. Disgruntled senior partners – Absent some plan and mutually agreed upon expectations for performance and compensation, the firm runs the risk of having several formerly powerful partners feeling wounded by the process and expressing their discontent to others in the firm. If the ill will is sufficiently broad-based, the firm can become de-stabilized because the affected senior partners will likely not stay and the next generation of partners will not want to be treated in a similar manner some day. As previously mentioned, new and challenging roles and responsibilities need to be developed for each senior partner.

a. A partner transitioning his/her client base will typically continue to receive the same *relative* level of compensation as long as he/she maintains or increases the billings to each client being transitioned while reducing his/her personal hours billed to the clients.

- b. A new set of expectations, responsibilities and a corresponding compensation arrangement will have to be developed for each partner once his/her clients have been transitioned to other partners.
- 4. Passive-aggressiveness – In many firms there are often one or two transitioning partners who appear to be in agreement with the business case and processes for transitioning yet who behave in ways that are inconsistent. Firm management needs to monitor the process regularly and to look for actions that are inconsistent with the goals and objectives of the initiative.
- 5. A temporary decline in profits - Given that the process for transitioning key client relationships involves several “investment time” activities such as internal meetings, the need for both the senior partner and the partner who is assuming responsibility for the relationship to attend all client meetings throughout the entire transition process, initiative status reporting, as well as the loss of some clients, it is possible that the firm will experience a short term decline in profit contributions from the involved partners – particularly at the onset of the initiative because several partners will be transitioning clients at the same time. These investments should diminish over time as the number of partners in concurrent transition diminishes and a more team-oriented practice approach expands the points of contact within the firm for any given client, thus creating an organizational relationship between the client and the firm.
- 6. A more permanent decline in profits – If this initiative is mismanaged; if management is not fully committed to it; if the competition successfully “spins” the situation against the firm and de-stabilizes the partnership; then the situation can spiral downward, gain momentum, and result in a smaller, weaker, and/or less profitable firm.

## IMPLEMENTATION

Once management decides that it is in the firm's best interests to retain key client relationships via transitions of responsibilities within the firm, the next step is to design and implement a tailored plan. Left to an ad hoc process the transitions will not be well-planned and therefore far less successful.

The specific actions/steps needed to effectively implement a key client relationship transitioning program are addressed, in order, in this section. Please note that they start at the firmwide management/ leadership level and then move toward client relationship-specific actions/steps.

### Firmwide Management / Leadership Tasks

1. Full support of management for the initiative – While some members of the management team may have reservations or concerns about this initiative, once the group decides as a whole to support it then all members must speak and act in consistent support.
2. Develop a clear business case that can be articulated consistently to partners and clients – Change requires sufficient cause or reason. The demographically-based reasons for implementing a key client relationship transitioning program are typically compelling – particularly when cross-referenced with billing attorney statistics.
3. Compensation committee commitment and plan for support – A requisite level of coordination and cooperation between management and compensation must be in place for success. If not, the behaviors usually rewarded by the compensation committee will undermine plans for transitioning client relationships. Furthermore, thought should be given to the likely convergence of the following three factors that will influence the compensation-setting process:

- a. The need to reward senior partners for transitioning clients and assisting with activities that benefit the firm (e.g., business development, training and mentoring) but do not produce immediate revenue;
- b. A potential period of a temporary decline in profits, as described in the prior section; and
- c. The elevated compensation expectations from younger partners who are assuming responsibility for transitioned clients.

The management of expectations for all partners is very important. Management may wish to model several distribution/profitability scenarios to ensure that the worst case scenario is practical.

- 4. Senior partners' buy-in – Present the business case to the senior partners who will be most affected by this initiative. Work with each senior partner to reach a high-level understanding of what the firm needs and what the senior partner needs/wants to do. Do not proceed without buy-in from most, if not all, senior partners.
- 5. Full partnership buy-in – Present the business case to the full partnership and strive for broad-based support of the initiative. This is typically an easier step because those in this group who have yet to hear the business case are the primary beneficiaries of the initiative.
- 6. Develop and disseminate media policies and key messages – Clients will have questions about this initiative and the press may hear about it as well. All messages related to this initiative must be very consistent to protect the firm's image in the marketplace. Many firms choose a few partners to be spokespersons and direct all inquiries to those people.

### Client Specific Transition Planning

The following checklist (next page) includes a standard approach to transitioning key client relationships. Of course, flexibility is required as no two client transitions will occur in exactly the same manner.

## Client Relationship Transition Checklist

Client Name: \_\_\_\_\_

Current Key Relationship Partner: \_\_\_\_\_

*Enter the date for each item as it is completed:*

\_\_\_\_\_ Current Relationship Partner develops a written history and background of the client relationship. Use the *Client Dossier Form* (example included in this report) as a tool to guide this effort.

\_\_\_\_\_ Current Relationship Partner and the Managing Partner review the Client Dossier and identify partners, or in some cases senior associates who will soon be admitted to the partnership, to introduce to the client (one or two, hereinafter referred to as “Prospective Relationship Partner[s]” and identified below)

#1 \_\_\_\_\_

#2 \_\_\_\_\_

\_\_\_\_\_ Hold a meeting of the Current Relationship Partner and Prospective Relationship Partner(s) to thoroughly discuss the history and background of the client relationship. Use the Client Dossier as a tool to guide this discussion. This can take place over one or more in-person meetings.

\_\_\_\_\_ Current Relationship Partner meets with key client contact to discuss succession planning for the long-term.

- Present the business case, including the fact that it can take years to develop trusted relationships. Let them know this approach is part of the firm’s on-going client service focus.
- Reassure the client that the Current Relationship Partner will be involved throughout the transition process to provide consistency in the relationship and will be available to provide back-up to the client in case a need for that arises.
- Discuss the Prospective Relationship Partners with the client and let him/her provide input as to whether or not these are appropriate choices.
- Record any client feedback on the Prospective Relationship Partner(s) to inform the firm’s decision in this instance, in other instances, and to identify area(s) of professional development for individual partners.

\_\_\_\_\_ Current Relationship Partner gets approval from client to proceed in the transitioning process with the following Prospective Relationship Partner(s):

#1 \_\_\_\_\_

#2 \_\_\_\_\_

\_\_\_\_\_ Schedule an informal meeting among the client contact, the Prospective Relationship Partner(s), and Current Relationship Partner to plan the phase-in of the Prospective Relationship Partner(s) into the relationship. Key issues to be resolved include:

- Understanding from the client that both Partners will be involved in all of the client's matters until the transition period is complete. The client must also know that he/she will not be billed for both attorneys' time when only one is warranted.

Understanding acknowledged: \_\_\_\_\_

- Agreement among all parties as to the desired level of involvement from the Current and Prospective Relationship Partners throughout the transition process. (Example: During the first one-third of the transition period, the Prospective Relationship Partner will audit the Current Relationship Partner's work; during the second one-third of the transition period, the Prospective Relationship Partner will provide the client's services under the direct supervision of the Current Relationship Partner; and during the third one-third of the transition period the Current Relationship Partner will audit the Prospective Relationship Partner's work with the client.) As to client communications, the Current Relationship Partner is the primary point of contact during the first two-thirds of the transition period and is a back-up to the Prospective Relationship Partner during the final one-third.

Attach a copy of the plan to this document/file. Completed on: \_\_\_\_\_

\_\_\_\_\_ The Managing Partner (or a designated member of senior management) contacts the client to ensure that he/she is comfortable and satisfied with the progress of the transition plan, process, and the Prospective Relationship Partner(s). The purpose of this meeting is also to provide the client with another point of contact and to show the client that this issue is of importance to the firm's senior management.

\_\_\_\_\_ Initiate regular (e.g., monthly to start, then quarterly) client "check-up" visits with the key contact to discuss progress relative to plan. These should be co-conducted by the Current Relationship Partner and Prospective Relationship Partner(s).

Attach summaries of these discussions to this document/file.



\_\_\_\_\_ After about 3 months and assuming that the transition process is going well, meet with the client to select a target date for transferring all aspects of responsibility for the client to the Prospective Relationship Partner(s).

Date approved by client: \_\_\_\_\_

\_\_\_\_\_ As the agreed upon target date for the transfer of full responsibility to the Prospective Relationship Partner nears, the Prospective Relationship Partner meets with the client to request approval to be assigned billing responsibility for the client.

Date approved by client: \_\_\_\_\_

\_\_\_\_\_ Formally transition billing responsibility to the Prospective Relationship Partner(s), who becomes the Current Relationship Partner.

### **Other Tools to Facilitate Client Transition Planning (attached)**

Client Transition Tracker – This is a summary list of clients to be transitioned and very high level progress report.

Client Dossier – One of the most difficult parts of client relationship succession planning lies in transitioning all of the history and information about the client from one person to another. Completing a client dossier serves two important purposes – it causes the current relationship partner to think about all of the aspects and history of the relationship and it creates a written document of information about a client.

### **Client Transition Tracker**

| <b>Client Name and Contact Details<br/>(list key contact name)</b> | <b>Relationship Partner</b> | <b>Prospective Relationship Partner(s)</b> | <b>Client Dossier Developed? (see form)</b> | <b>“Steps to Transition” completed? (see guidelines)</b> |
|--------------------------------------------------------------------|-----------------------------|--------------------------------------------|---------------------------------------------|----------------------------------------------------------|
|                                                                    |                             |                                            |                                             |                                                          |
|                                                                    |                             |                                            |                                             |                                                          |
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|                                                                    |                             |                                            |                                             |                                                          |
|                                                                    |                             |                                            |                                             |                                                          |

## **Client Dossier Form**

Client Name: \_\_\_\_\_

Complete each section below

1. Narrative history of the relationship

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|  |
|--|

2. Description of client's key business issues and objectives

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|--|
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3. Current level and types of service provided by the firm

|          |                              |
|----------|------------------------------|
| Service: | Approximate Annual Billings: |
| Service: | Approximate Annual Billings: |
| Service: | Approximate Annual Billings: |
| Service: | Approximate Annual Billings: |

4. Economic performance trends (e.g., three-year billing history)

|            |  |
|------------|--|
| Year One   |  |
| Year Two   |  |
| Year Three |  |

5. Description of future potential for client work and the changing nature of the client's needs.

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6. Describe the client's expectations and standards, as well as any specific preferences (e.g., prefers email to hard copy; expects phone calls returned within 3 to 5 hours, etc.)

|  |
|--|
|  |
|--|

7. Key people and relationships within the client organization

| Key Client Personnel (name, age, position, place) | Lawyer Relationships (names) | Lawyer Relationship Scores (see scale below) |
|---------------------------------------------------|------------------------------|----------------------------------------------|
|                                                   |                              |                                              |
|                                                   |                              |                                              |
|                                                   |                              |                                              |
|                                                   |                              |                                              |

Relationship Scale (rate each key client contact on the following scale based on their relationship with each relevant lawyer listed:

5 = Close partner relationship

4 = Enthusiastic advocate

3 = Supporter, ally, recommends if pressed

2 = Acquainted, has been involved with us, may be neutral

1 = Knows of us, hazy on detail, doesn't specify us

0 = Doesn't know us, no dealings

-1 = Has established history or relationship(s) with a competitor

8. Potential for change at the key client contact position and the potential successors

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9. Other internal/political issues that could impact transitioning this relationship

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|--|

10. Anticipated reaction by client to the concept of having the relationship transitioned to another partner

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11. Other comments

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|  |
|--|

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

## Summary/Recommendation

We believe the ultimate keys to success in client transitioning are:

- Firm wide awareness of the need;
- Consistent and ongoing management support and oversight;
- Development of a plan and process (this cannot be handled on an ad hoc basis);
- Patience and an understanding of the long lead time needed;
- Agreement and participation of the client;
- A pool of talented professionals;
- Lawyers willing to regularly examine – and as needed, change – their behaviors for the benefit of the firm as a whole; and
- Preparation and consideration of all facets as described in this report.

In spite of the challenging nature of, and risks associated with, implementing a key client relationship transitioning initiative, we feel that most firms should pursue this goal in a structured and well-focused manner. To do so demonstrates to your lawyers, clients, and the marketplace that you are a) thinking/planning long term, b) willing to work hard and fight for your market share, and c) positioning the firm to take market share from others. To *not* do so leads the firm toward an ever-increasing position of vulnerability for its clients and, by extension, its lawyers and staff.