



YOUR FINAL WAKE-UP CALL

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As I write this article, the remaining Boomer generation partners are marching steadily toward their final departure point. Following just a half step behind is the next decade of law firm partners. The amount of income generation of this collective is disproportionately higher than their numbers. This does not bode well for profits-per-partner after their departure.

I first wrote about the necessity of planning for this eventuality in an article entitled “Preparing to Say Goodbye to the Baby Boomers” which appeared in the *PA Bar News* back in 2006. You can’t say you weren’t given fair notice and plenty of time to avert a crisis. Yet, most firms did nothing. And as a predictable result, the hotline is now ringing off the hook with calls related to succession, retirement, and firm survival.

For many firms it is already too late to alter the chain of events which will unfold. There will be a lot of disruption as firms collapse, and attorneys left behind are cast adrift. If it’s not already too late for your firm to ensure continuity in some form, I can assure you that there is not a lot of time left to act.

Are any of these scenarios playing out at your firm? Are any foreseeable in the not-too-distant future?

- Many of those about to withdraw have unrealistic expectations about buyout. Or worse, your firm defined expectations in a different economy, and now can’t get agreement to make changes which takes the current marketplace into account.
- Your firm has senior partners who continue to receive significant shares of profits, and refuse to step down. And why should they, other than from a sense of fair play? It is either causing the loss of younger partners, who are earning disproportionately less of the profits they create, or it is a significant threat to retention of those partners.

- A significant number of senior rainmakers are about to retire in a short period of time, due to age or health reasons, and it will leave the firm without sufficient critical mass of revenues to cover the ongoing operational expense of the firm. Remaining partners are suddenly aware they may become the “last man standing” and are desperately looking for solutions or an escape.
- Your firm lacks a solid “next generation” to retain clients, generate sufficient revenues, and perpetuate the firm.
- Your firm’s senior heavy rainmakers are showing no interest in ensuring the transition of clients and referral sources to others in the firm. In fact, as they age they are becoming even more controlling of relationships.
- You are a solo practitioner within 5 – 10 years of retirement — or less — and have no method or thought for determining the value of your firm for eventual sale, or creating any exit strategy.

Do you recognize your firm in here? If so, let me be clear; there aren’t an unlimited number of options. There are no magic solutions. I have no trick cards up my sleeve. Nothing will turn you suddenly and effortlessly from your current path to one with a better destination. However, putting your head in the sand and ignoring the situation only ensures it will play out in the worst possible manner.

If you are a PBA member, pick up the phone (1-800-932-0311 x2228) or mouse (lawpractice@pabar.org) and get in touch with me. There is no cost to you, so why not? Put it on your calendar if you’re too busy now. Don’t just ignore it hoping the situation will go away.

I won’t sugar coat my response or advice. I will realistically let you know the alternatives available to you, and help you explore any which appeal. Talking through your situation with an outsider — one who has a wider perspective and more experience in this area — is usually very helpful. It can provide you with clarity which will enable you to determine how best to proceed proactively. And action is key.

Before I end this article I want to offer a thought for those of you who are younger and do not see yourself wrestling with any of these scenarios in the near future. You are probably not aware that there is a window of opportunity open right now. It’s wide open, in fact, for those who are willing to take a calculated risk.

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A huge number of small firm and solo lawyers, especially in smaller communities, have practices begging for a successor. If you would like to have your own firm some day, but can't afford to build a firm from scratch, or buy into one, you have a real opportunity.

This opportunity won't last forever. I promise you that in another 10 years we will have worked through this transition. Many long-time firms will vanish with barely a stir. Many attorneys who have spent long careers servicing clients of others will be in the unenviable position of virtual road-kill, being forced into early retirement, or transitioning to other careers. Our state is currently outpacing the rest of the nation in numbers of mergers of small and midsize firms.

Most support staff need not worry. There is a real shortage of experienced staff. Those who are willing to adapt to new environments, procedures, and technologies, will thrive.

For some entrepreneurial attorneys and firms, it will be a turning point to a more lucrative and satisfying situation.

So there you have it. I promise this is your final warning from me. The ball is in your court. It's up to you to make the next move.

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