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SOLID TRANSITION PLAN HAS VALUE FOR LAW FIRM BUYER

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I've been handling a heavy volume of calls from lawyers looking to buy or sell law firms. By coincidence, last week I handled one call from a potential buyer, and one from a potential seller, back-to-back within 3 hours. It didn't take long to realize that they were the parties on both sides of the table.

I have also been booked to present seminars on both valuation and sale topics with increasing frequency. I have shared the podium for webinars and seminars for American Bar Association and PBAs Solo & Small Firm Section. Pennsylvania Bar Institute just recorded me live for their on-demand library. And on a recent weekend, I covered the related topic of "Valuing a Law Practice" for the Pennsylvania Association of Elder Law Attorneys.

Yes, with the last of the baby boomers finally loosening their grip on the disproportionately large number of client relationships and books of business they control, these are hot topics of interest.

As one might imagine, potential buyers have a different set of questions than potential sellers. And that makes perfect sense, because their perspectives are so divergent. Sellers have the advantage of having made a living for many years at their firm. They have confidence based on experience that work will flow in the door, and that they know what will work to keep that pipeline full. Unfortunately, a lot of the time sellers have scant information to demonstrate it well.

On the other hand, potential buyers see a lot of risk. They are worried about what will remain when the seller retires. What client retention strategies will be effective, and to what extent? What will referral sources do when faced with another lawyer in the driver's seat? Are the relationships too personal to effectively transition?

Will employees remain? If they're going to be key to client service, what ensures the buyer that retention issues won't become the undoing of their income stream? And what about all the management responsibilities? Will the well-oiled machine start sputtering and swerving without the same steady knowledgeable hand at the wheel? Will critical institutional knowledge be lost?

Best practice dictates that the seller create a proposed transition plan to review and modify with the buyer. A transition plan is key to addressing the risks and fears of the buyer. It makes a smooth transition easily achievable.

The most important starting point from my perspective concerns clients. A good transition plan will incorporate:

- A current mailing list for current and former clients. Incorporate information for buyer's clients.
- Joint review / reconciliation of all money in trust and verification with each client as well.
- Development of key points to convey to clients the benefits of the transfer of ownership, timing, information about the new owner, contact information (if it will be different) and their rights.
- Advance personal phone calls to any key institutional clients, or clients at critical points in their representation, before the mailing goes out.
- Mailing of appropriate letter to current clients. Remember, if money is in trust, confirm the amount held. A separate mailing to former clients addressing file retention, any change in firm contact information, plus any new practice areas to entice them to return in the future.
- Follow-up calls to ensure all active clients have received notice. The firm can only assume consent if it knows the client received the notice.
- Calendar-block adequate time to allow key clients to meet personally with the seller and buyer. Start scheduling as soon as notice goes out.
- Thorough case-by-case summary and review hand-off together. Ensure all deadlines are in the calendar system.
- Incorporation and set-up of any new incoming clients of the buyer in all software and contact systems. Incorporation of client physical/digital files. (Hint: print emails to PDF to make it easier to transfer.)
- For established clients of the buyer, communication about any newly acquired staff members, practice areas, procedural changes and

improvements. Calendar-block time for those clients to tour the office and meet new people. I often recommend an open house to accomplish this quickly and festively.

After clients, referral sources will require attention in order to accomplish a decent transition. Personal introductions and meetings, even if via Zoom, are required to accomplish this.

Yes of course you want a letter. But that will only serve to update the contact information at the other end. The seller should assemble a comprehensive list of referral sources, in descending order based on volume of referrals. In many instances, quality of clients referred will be more or as important as volume. Your transition plan should specify a number of meetings, including power breakfasts, lunches, dinners, and video, per week. Calendar-block, and start reaching out and scheduling.

Then, we have all the various networking organizations. Here, the seller should have a comprehensive list assembled, in descending order based on approximate value of resulting work, referrals, and beneficial exposure opportunities provided. For any that are of interest to the buyer, look for the next opportunity to introduce the buyer to the group. For example, taking the buyer to a conference, annual meeting or whatever is upcoming on the calendar will serve the purpose.

Good marketing is key to a successful transition as is identifying all the existing marketing which has played a key role in the seller's success. For example, if the seller's website has excellent search engine optimization (SEO) built over many years through a combination of generating organic content, and paying for key words, the buyer should be fully aware of these tactics. And transitional strategies should be employed to protect the website's rankings and keep the SEO key words in play.

A public relations plan is front and center to a transition plan. Seller and buyer may want to consider engaging an outside consultant in this area. A budget should be agreed upon. The plan may, and probably should, include such things as news releases to media, a tombstone ad in legal publications, posts on social media and so forth. Depending on whether either the seller or buyer is well known, (and an outside consultant is engaged), a podcast, radio interview or even TV appearance may be achieved.

I would be remiss if I failed to include mention of transitioning firm management. It is incumbent on the seller to document the methods and

procedures, vendors, etc. in the same way one would for a surrogate. And then review them over time that is blocked out on the calendar.

In the space of one article, I cannot possibly present a comprehensive list of all aspects of a good transition plan. But, hopefully, you have a starting point here. Don't underestimate the impact this extra planning will have on allaying buyer fears and improving perceived overall value of your firm.

I'm working on creating a checklist for a transition plan. PBA members who want to get on the waiting list for a copy when it's done can send an email to lawpractice@pabar.org. Be sure to include your full name, your county, and your member ID number in the request, with "transition plan" in the subject line. Members who need to talk about it more immediately can contact me to arrange for a phone discussion.

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