

the **European Lawyer**



The rules of the profession Issue 59

June 2006

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Long live the king

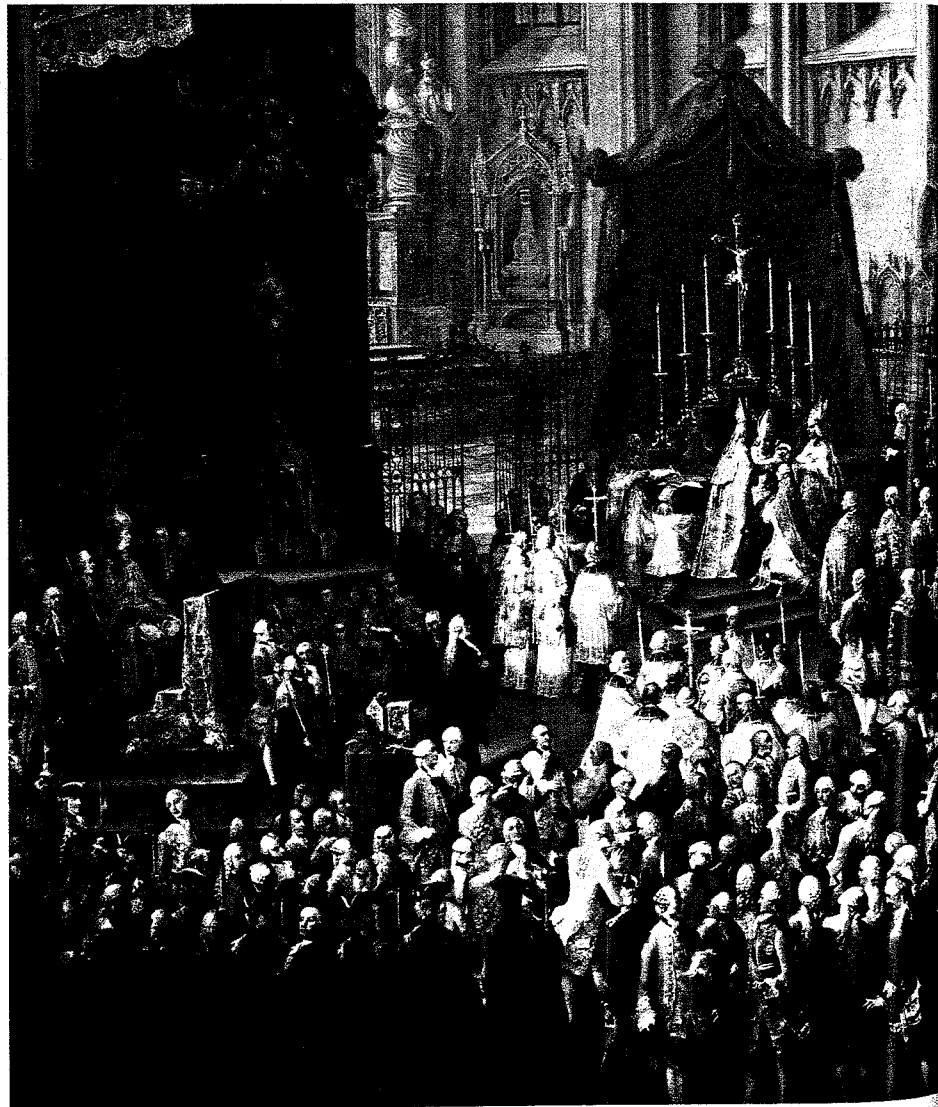
Leadership and succession challenges for Europe's law firms

The King is dead, long live the King

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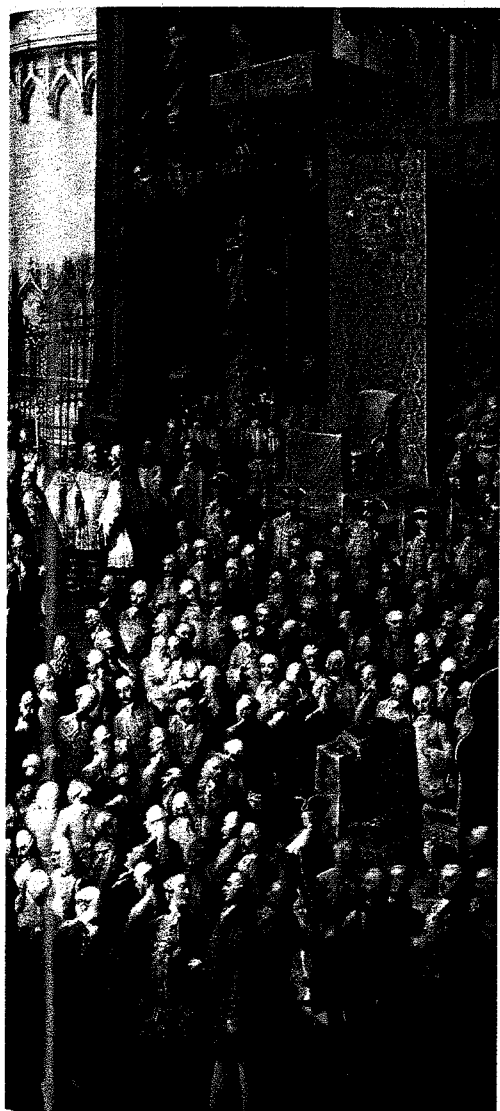
A generation of dynamic founders of Europe's leading law firms are nearing the end of their legal careers and grappling with what is perhaps the greatest challenge they have faced to date – the nature of their legacy. After all, it is one thing for a powerful personality to forge a successful firm, but to crown a successor requires them to build a practice with a future and not just their own kingdom. Law firm leaders are increasingly aware that they must, without delay, instill an institutional culture at their firm by establishing structures which ease senior partners from figurehead roles while simultaneously training new leaders to whom they may pass the baton. Cautionary examples of those who have failed to do this and seen their legal empires tumble, are all too common.

And while several key European law firms are being forced to approach



this challenge in a variety of ways, the wider issue of leadership skills – a very different set of abilities to those that comprise an excellent lawyer – warrant more attention from the profession as a whole.

In our two-part report, RICHARD TROMANS looks at the way succession is being dealt with across the region, while DR LARRY RICHARD and SUSAN RARIDON LAMBRETH address how practitioners can combine their legal skills with providing effective leadership



How law firms and their famous founders deal with the issue of succession dictates whether the firm enters into a 'generational crisis' or enjoys a smooth transition to long term viability.

This handover of a founder's power (and clients) is an issue that is increasingly troubling some of the best firms in Europe. From Bredin Prat in France to PLMJ in Portugal, many such firms have leaders that are either close to 60 or already there. Although these figureheads are certainly capable of continuing to lead

their firms and of advising its best clients, it is often in the firm's interest as a whole that they begin to step back from running things so as to allow a new generation of lawyers to develop. Some firms prepare years in advance for the eventual handover of power, while others refuse to even consider it. What is evident is that those founders who – though strong leaders – are unable to build a lasting and self-governing institution around them, often risk the future of the fellow partners they have relied upon.

One example of a generational crisis can be seen in the former top M&A firm Rambaud Martel. Following a failure to hand over power to the partnership, the firm broke into factions and the remainder was absorbed by US giant Orrick Herrington & Sutcliffe at the end of 2005. Paris insiders attribute responsibility to 61-year-old name partner, lead rainmaker and co-managing partner Jean-Pierre Martel for not handing over control sooner, or building a 'democratic institution' that would keep the firm going. An ex-partner from Rambaud Martel, now at a US firm, says that although a strong founder may be seen as a plus by some, his experience was a negative one: "I wanted the firm to be an enterprise for all the partners, not just a tool to be used by someone for their own benefit. I have no regrets about leaving. I was not happy there." He points the finger at Mr Martel for not making other partners feel part of the firm. *The European Lawyer* sought a response from Mr Martel on these points but he, perhaps characteristically, chose not to respond.

However, one reason suggested by insiders for Mr Martel's refusal to hand over his legendary power at the firm was that there was no one he felt he could transfer it to. The ex-Rambaud partner himself admits there were few young partners that could handle the corporate needs of Mr Martel's blue chip client list. But then one would expect a leader to ensure they had hired people who could eventually take on their clients and lead the firm.

Hildebrandt management consultant

Giles Rubens says: "The problem with strong leaders is that they can foster a culture of dependency in the firm. They can even unconsciously not allow successors to develop." Law firm management guru Alan Hodgart points out that powerful founders, although great assets to a firm in terms of being able to drive forward growth, can also hold back the development of the next generation of partners: "Founders tend to be very strong people and succession is an emotional business. They do not want to let go." Mr Hodgart suggests that one way to ensure that a founder does let go is to create systems well in advance of their retirement, allowing a new generation of partners to take power, share in management and generally create a democratic environment. In other words: an institution.

However, building an institution in itself is sometimes not enough. German giant Haarmann Hemmelrath & Partner, which has recently seen a restructuring of its partnership and the loss of whole teams to other firms, is one such example. Its strategic problems seem to have been greatly aggravated without its powerful founding partner in charge. Whether this was because the charismatic creator Wilhelm Haarmann prevented successors from following on or that they were unable to succeed in their own right because of the significant challenges the firm had, is a grey area. But Mr Haarmann, who left his former firm last year under something of a cloud, says that "succession was an issue". He stepped back from management in 2002 to focus on client work and other partners were elected to take over. But by 2004 the firm's stability was deteriorating. Squabbling between offices, the eventual 'restructuring' of the partnership and a massive law suit against the firm that hurt its image (although it was later dropped) were all contributing factors. "It was very difficult to have one person who held things together during the time up until the firm restructured last year," he adds. Although, of course arguably this is what Mr Haarmann managed to do for many years >

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years himself. Under his leadership the firm grew to over 20 offices around the world. In the autumn of 2004, desperate to bring unity to what was Germany's most international firm, Haarmann Hemmelrath brought in US lawyer and management specialist Jeff Thinnies to be a 'chief executive officer'. It did not work. As Mr Haarmann says: "Acceptance was difficult for an outsider; it is pretty hard if you don't understand the culture."

Another extreme example of succession becoming a problem was suffered by the UK's SJ Berwin in the early 1990s. The firm's founding and senior partner Stanley Berwin died unexpectedly one day at his desk. The

then very youthful firm suppressed the urge to panic and swiftly voted in fellow partner Christopher Haan as senior partner. A former partner who was there at the time says that although the partnership thought they had avoided a crisis, the problems were only just beginning: "Stanley left a power vacuum. He was autocratic." Although Mr Haan was initially voted in democratically, he started to demand that the firm expand in the midst of a recession. This was a strategic break with the past and Mr Haan did not have the support – or the might – the old founder once had. The other partners, fearing a loss in profits, staged a 'coup'. One expects that Mr Berwin

would never have tolerated such opposition. "Haan took over with consent. But after two years the other partners went into his office and effectively told him to leave," says the former partner. Mr Haan not only gave up his senior partner role, he later left the firm entirely. David Harrel, one of the partners behind the coup, took over the top job and the firm found stability again.

— A bumpy succession can thus undermine a firm at the highest levels. What consultants advise is to plan ahead to prevent a crisis and be thorough in creating processes that allow the next generation to govern.

Portuguese firm PLMJ is tackling this by developing a new system to ease its founders out of regular fee earning. Current managing partner Fernando Campos Ferreira has put forward a plan that will see partners who are over 58 become, in his words, "hands off" when it comes to client work. This scheme would include all four of the firm's three remaining name partners, who range from 58 to 62, including the well-known José Miguel Júdice. The firm also put in place a retirement plan that sees partners leave at the age of 65. Mr Campos Ferreira points out that his firm is one of the first in Portugal to have a proper retirement policy for partners. By comparison, today you would be hard pressed to find any UK firm without a strict retirement procedure. In fact, many partners in London do not even stay until retirement age, usually fixed at between 60 and 65. Mr Ferreira is not going that far yet, but he says: "The idea is not to work until you die, but to open up space for the recent partners to create new revenue." Under the scheme partners over 58 will instead focus on management duties rather than fee earning, allowing the younger partners to advance by sharing out client work. It utilises the energy of the less experienced lawyers to aid the client and the wisdom of the older partners to steer the firm. This should hopefully provide a smooth succession from the founders to the next generation. However, it still needs to be voted through.

Over many years, French firm Lefèvre

Bredin Prat: one to watch

Observers of the Paris legal scene are waiting with interest to see how the founding partner of Bredin Prat, Jean-François Prat, handles succession at his firm. Mr Prat senior is 65 this year. His son, who is also a highly-rated lawyer and partner at the firm, Sébastien Prat, is only 40. The partner tipped by outsiders to be the next 'leader' is corporate star Didier Martin, who is in his 50s.

However, the partners at Bredin do not seem to be overly concerned about succession issues and in fact seem to reject entirely the idea that there is any pending problem at all. The firm certainly has not put in place many of the structures that other outfits have to ensure a smooth succession. For example, there is no retirement policy, there are no management positions such as managing partner or senior partner, nor is there a formal management committee.

Co-founding partner Jean-Denis Bredin, who was born in 1929, is still a partner at the firm and comes in every day to work on arbitration matters. His great experience is seen as a valuable asset and his advice is regularly sought by other partners. By this standard Mr Prat senior has at least another decade or so at the firm.

Bredin partners Elena Baxter and Tim Portwood say that looking at the firm in terms of a couple of dominant founders that will jeopardise its existence when they leave is just not appropriate. "If the founders left, life would continue," they say. "Mr Prat has always shared out work with the other partners." Mrs Baxter and Mr Portwood stress that Bredin Prat is not a 'one star firm' by any means and has plenty of partners of the highest level who can ensure Mr Prat's corporate clients receive the same quality of service. Mrs Baxter also points out many clients have been generated by partners other than the founders.

When faced with the fact that Bredin does boast other partners of the quality of Mr Martin, one is minded to believe Mrs Baxter and Mr Portwood that succession will not be a major problem. The practice seems to have a collegiate and egalitarian culture that flies in the face of modern law firm management and yet seems to keep its constituents united and happy.

Of course, the proof of these partners' confidence will only be tested in years to come as Mr Prat senior takes an increasingly smaller role in the firm's day-to-day management. For, no matter how much consensus Bredin may claim to have, at the end of the day, the firm's founders are still in the building. What will happen when they leave is another story. ■

Pelletier & Associés has focused on building a management committee that has allowed the founders to stand aside from management and focus on client work. Founding partner Philippe Pelletier, now 60, says: "We have adapted over time. As soon as we had a number of partners we formed a management committee. After organising that, it was easy for me to resign from it." Unlike some leaders Mr Pelletier has made a serious effort to ensure he does not get in the way of the firm's future. He is also happy to focus on client work rather than trying to micro-manage the firm he helped build. One reason for this attitude may be that he graduated from business school and says he sees his law firm as a company, not as his own private fiefdom. Of course, it is a lot easier to plan to hand over power and step back from leadership if it is something that both the local and firm culture can accommodate. For Mr Pelletier the move was not traumatic because he had instilled an institutional culture in the firm. However, in Italy, such a step seems to be particularly difficult, primarily because of the national approach to leadership that Italian lawyers have.

Managing partner of Italian firm Studio Legale Sutti, Stefano Sutti – himself the son of founder Angelo Sutti – says that Milanese culture makes it hard for progenitors to let go. "I am free to step down, but some original partners could not. If they did, the market would see it as strange," he says. "Founders here retire at their desks. Peers assume that when they leave, the firm will fall apart." Luckily for Mr Sutti he does not have the pressure of being the firm's founder, only that which comes with being the son of one – which clearly lessens the social demand to stay as the boss forever. He says that he is happy eventually to give up a managing role and already has an idea who his successor might be.

Francesco Gianni, who is very much the force behind Italian corporate powerhouse Gianni Origoni Grippo & Partners, agrees that there is a culture in his country for powerful founders to hold

on to power and dominate a firm. However, he stresses that this has never been the aim in his partnership. "We have always wanted to be an institutional firm. We recently altered our corporate governance to form an executive committee composed of five elected members, with elections every two years," Mr Gianni, now 55, explains with pride. He adds that the firm has also created a remuneration committee, as well as one to look at conflicts. "We are trying to involve as many partners as possible," he says and stresses that ever since the firm was founded in 1988 he wanted to build an institution and not repeat the example of old Italian firms that broke up with the originator's retirement. This all sounds very promising. However, ask lawyers in other countries that know of Gianni Origoni and there is a lot of scepticism about the firm's move towards an 'institution'. After all, according to lawyers in Europe there is still a general belief that when clients call the firm they demand to speak to one of the three founding partners over anyone else. Outsiders clearly perceive Mr Gianni to be the boss and the rainmaker.

One Scandinavian partner points out that Italian founders are also famous for

having huge slices of the equity and commanding the highest remuneration of any lawyers in the world. This, he says with an ironic laugh, may also be a reason why Italian firms stay dominated by founders even if they try to build a 'democratic' institution. The partner adds that the Latin 'patriarch' system is utterly alien to the law firm culture in his region and "would not be tolerated".

There is some truth to this. Per Magnusson, the founder of Magnusson law firm, says: "Scandinavia is the other extreme to Italy. We tend to be consensus driven and not to dilute power." He adds that this mirrors Scandinavian politics and society as a whole. "We don't like hierarchical structures and good management is seen as promoting delegation and letting people make their own decisions." Interestingly though, Mr Magnusson says he thinks "over-diluting power" can also be a problem. He explains that was one reason why he left MAQS to form his own firm since: "Each partner wanted his say, which can become inefficient." He also admits that he and his fellow firm builders have not even started to think about succession >

DLA Piper: an international example

Succession is not just an issue for first generation independent firms. DLA Piper Rudnick Gray Cary may have 3,100 lawyers in 22 countries, but just a decade ago the European half, at least, was just UK national firm Dibb Lupton Broomhead and a fraction of the current giant's size. Its dynamic leader throughout the 1990s to the present day has been Nigel Knowles, now the joint CEO of the firm. "There have been a lot of key strategic decisions that I have taken and some of the growth has been based on the momentum that I have injected into the business," admits Mr Knowles.

Although he is not a 'founding partner', one might assume that his retirement one day from management could cause a succession issue at DLA. After all, he has turned a regional UK firm into a global giant in the space of a decade. Mr Knowles concedes that eventually finding an heir and handing over to new leadership will be tricky. Like a more traditional founder he appears to be in favour of nominating his own heir rather than letting an unknown come up through the ranks to seize the job. "You can't just put everything at risk through a random vote," he says.

Also, even though Mr Knowles is technically just another partner at DLA, he is no more keen to give up power than many founders. The 50-year-old adds he may stay on another seven, or even 11, years in the leadership role.

So, it appears that although there may be some big differences between first generation independents and global firms, when it comes to charismatic leaders, they both face the same issue: the handover of power. ■