Latin Lawyer Elite Leadership Report: Changing of the guard

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The succession of a managing partner is a critical transition for any firm. Fernando Peláez of F Peláez Consulting led a discussion about how to handover to the next generation without rocking the boat

It's a tough gig being a law firm managing partner. Difficult conversations, dealing with egos and swapping stimulating client work for decision-making about mundane office infrastructure are just some of the reasons why so few partners put themselves forward for the position.

It's still common to see firms in Latin America led by a member of their founding family, who has often occupied the role for years. More and more now elect managing partners, but even they can end up in the role for a long time. "If you keep re-electing the managing partner, it's either because they are really good or there is no one to replace him," says Fernando Peláez-Pier of F Peláez Consulting.

"I have been a managing partner for about 16 years," says Horacio Beccar Varela of Estudio Beccar Varela in Argentina. "I challenge successful managing partners in a country where the economy is not doing well to ask if anyone wants his job. Everyone will probably say no; they want to be a lawyer and blame other people for problems."

If managed well, the handover of one managing partner to another can help the firm drive forward new strategy, inject fresh ideas into its leadership and send a message of generational renewal to the younger ranks of lawyers. Inevitably, the existing managing partner will have to step down, and if the firm does not have a suitable replacement it could find itself in crisis mode. Having some form of rotation and change of those holding management positions forces the firm to prepare for the future.

A lack of viable candidates for the role indicates a lack of interest on the part of the partners and, on the side of the firm, a lack of preparation of its lawyers for the role. Some firms are still comparatively young, partnership included, and confronting the issue is not a priority, but it's important to identify and prepare future leaders early on in their careers. "Succession depends on the demography of firm," thinks Carlos Aiza of Creel, García-Cuéllar, Aiza y Enriquez, SC. "We are a young firm, but it's important to figure out how to prepare talent for the executive committee and give them exposure."

It falls to the law firm to identify and train a new generation of leaders and build interest among younger partners to devote time to management. There are many ways to invest in the next generation's management skills. Large global firms and international networks offer in-house professional development programmes, while there is no shortage of courses available to send lawyers on. Firms can assign associates specific management tasks and appoint them to committees such as human resources, business development or IT. This helps to identify those with a knack for management and their input can add considerable value. For example, senior associates are often closer in age to GCs, which can facilitate communication and relationship building. They also tend to be more IT-savvy.

Firms can also take steps to make the role more appealing. The managing partner job is not always in huge demand because partners became lawyers to practise law, not to manage. There are concerns about compensation and how easy it will be return to practice once the term is over. Most new managing partners get a sharp reality check when they take up the role and realise they are not going to be able to spend as much of their time on client matters as they hoped. "You can use the job for business development," thinks Ricardo Veirano, recently elected as managing partner of Veirano Advogados. "You are going to do strategic work as a managing partner and you can do it without losing client relationships." Meanwhile, the right partner compensation model can alleviate worries about the financial reward for dedicating time to the role.

Once a firm reaches a certain size, its management becomes a very demanding job. It's hard for the managing partner to balance everything with their practice, but there are ways for firms to separate the more

mundane, non-legal aspects from the role, leaving the managing partner to focus on the strategic side and management of talent. “We have a general manager to take care of day to day management,” says Carlos Urrutia of Brigard & Urrutia. “There are a host of things that need to be taken care of for a firm to be effectively managed. Having a general manager really accomplishes that. The managing partner can then devote an important amount of time to being a lawyer as well as devoting time to strategy.” In order for this to work, the managing partner needs to provide support for such professionals, ensuring partners understand their role and authority. Arias & Muñoz even likes to receive insight on strategy from its COO who has run her own professional services business as well as worked for large corporations, including HSBC and HP. The firm also values its strategic adviser who was a long-time HP employee and has decades of valuable experience. “It’s very hard for us to accept the views of non-lawyers on targets and segmentation,” says Vicente Lines. “But their view on strategy and segmenting makes a huge difference. Our definition of value proposition is much more focused and has helped us in the last five years revert the trend of results being tied to foreign direct investment.”

Employing non-lawyers for more day-to-day matters frees up time for the managing partner to spend on strategy and managing talent, and of course dealing with egos – perhaps the most time-consuming task of all. A big role for leaders is to get partners out of their offices to do business development or to have difficult conversations when they are under-performing in a particular area, such as mentoring young lawyers. That is not something they can outsource.

“We tend to confuse leadership with management,” says Jaime Herrera of Posse Herrera Ruiz. “They don’t necessarily require the same skills, but at many first-generation firms, founding partners, who are the natural leaders, are also vested with management duties; their challenge is establishing a solid succession plan with younger partners.”

The managing partner role requires a strategic thinker who is good with people, can identify opportunities and has the drive to carry projects forward. Not everyone fits the bill. Peláez-Pier suggests thinking about the needs of firm before selecting an individual. Different people will be better for times of crisis and opportunity, for example. But Pinheiro Neto Advogados’ Alexandre Bertoldi disagrees with that approach. “In my opinion I think you should pick the person who will do right no matter what,” he says. “The most important thing is to fill three roles – be admired internally, represent the firm externally and be a good professional to lead by example. That’s not easy to find, which is why you need the right person.”

Peláez-Pier also thinks it’s important to involve non-equity partners in the election as it shows their thoughts are taken into consideration and gives them a say on the future of the firm.

While it’s tough to convince people that the managing partner role is attractive, those who have occupied the position usually come to enjoy the associated prestige and influence it brings. The succession process can be very emotional for those involved. It requires a big transition mentally for the managing partner returning to life as an ordinary partner. He or she needs to understand they have to give room to the new managing partner to take responsibility and play a supporting role, rather than generate obstacles. One way to manage that is to include the outgoing leader in an advisory role, for example by appointing them to the executive committee, as is the case at Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados. “For me, it’s extremely valuable to have my predecessor as he is the only one who has been in my position. I can benefit a lot from his experience,” says José Eduardo Carneiro Queiroz. At Marval, O’Farrell & Mairal, which has seen numerous generational transitions, the successor works for one-and-a-half years in parallel to the existing partner. “Sometimes it’s very important to continue to profit from the experience of these people,” says Santiago Carregal.

There is no one-size-fits-all model for the handover of leadership; each firm has its unique sets of needs that must be addressed. However, the result of a proactive approach towards succession is universal: it prepares the firm for a longer, more stable future.

Retiring partners

The majority of law firms don’t have a clear strategy for the transition of clients to younger generations when the relationship partner retires. This is particularly the case for Latin American firms still run by founders who

are years away from retirement.

Most firms today include a mandatory retirement age in their by-laws of between 60 and 65 (although many have exceptions for some partners to continue as counsel), but succession is about far more than that. As well as preparing the partner for retirement, the firm has to develop his or her successor, particularly if the outgoing partner is a rainmaker or head of practice, as they will have a portfolio of important clients. “If you wait until the last moment, it is too late and there is a huge risk of the firm damaging the client relationship,” says Peláez-Pier.

In Argentina, the standard retirement age for men in Argentina is 65, and for women 60. But Pérez Alati, Grondona, Benites, Arntsen & Martínez de Hoz (h) found that partners approaching that age are still responsible for a large part of the firm’s revenue, so the retirement age has been extended for them. This is a common approach for firms, particularly for those in Latin America whose partners have advised long-standing clients (often the heads of important family-owned companies) for many years. While it offers a short-term solution, it should be complemented with a strategy to eventually handover the relationship to other members of the firm.

The key is to make the relationship institutional and ensure the client has relationships with more than one lawyer, across more than one generation. For example, to prepare for the transition process, Slaughter and May has two client relationship partners, one of whom is typically younger and in charge of overseeing day-to-day matters.

Trench, Rossi e Watanabe Advogados (in cooperation with Baker & McKenzie)’s Simone Musa thinks having a “phase-out” programme, whereby the outgoing partner’s role is steadily reduced, would provide an incentive to pass on work and clients.

It’s also important to determine whether the departing partner has a plan for retirement. If there hasn’t been a discussion, the partner could well open a boutique across the street and start competing.

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Comments

There are currently no comments.