



DON'T WAIT UNTIL IT'S TOO LATE

Firms today are facing succession planning issues at an unheard of pace. Blame it on the Baby Boomers and the overall demographics of the accounting profession and population in general.

Over the past year I have worked with several managing partners in helping them transition from one set of leaders to another. The question I often get is when is the time right? Managing partners decide to pass the baton to the next generation of leaders at different times. Some decide it's time when they are in their early or mid 50s since they want to do other things in life. Others will hold on until the last possible moment. Some never make a transition.

Which one is right? I can tell you for sure that unless you are a sole practitioner and just want to work until you die; the last option is not a good one for any multi-partner firm. Whether it should be an early retirement or one later in life depends a lot on the individual and, of course, the firm. In short there is no simple answer to the question "When should I pass the baton?"

Don't wait until it's too late

The biggest problem that I see today is that some firms wait until it is too late. The managing partner becomes sick, disabled or even dies. The firm is now forced to make immediate decisions on its future rather than having a smooth transition. Partner squabbles become rampant and in some cases the firm implodes. We all know that the value of a firm can disappear into air within a very short period of time.

Take These Action Steps

1. Make sure that your partnership agreement addresses the issue of mandatory retirement from the partnership. Partners can continue to work, they just won't continue to have equity or share in profits.
2. Develop a policy for client transition. Many firms today are requiring retiring partners to transition clients during their last three years with the firm. If they don't, their retirement payments are reduced. Also make sure that the clients see themselves as clients of the firm and not an individual partner. This can be accomplished by rotating partners or having more than one partner involved with

the client. Also, make sure that partners develop a client transition plan for their key clients.

3. Introduce your younger partners to the clients and get them involved in special projects.
4. Make sure that your compensation plan does not penalize any partner for doing any of the above. If there is a conflict between what you want someone to do and how they will get paid, they will always do the things that support the compensation plan.
5. On an annual basis have a partners' meeting that discusses succession planning issues. Ask each partner when they plan to retire so that you get a clear picture of what might happen 5, 10 or more years in the future.
6. Retirement is often scary. Don't ignore the emotional side of it. Be sensitive to retiring partners, especially to the managing partner.

Address These Questions

Here are some of the things you should be thinking about as you approach retirement from the partnership:

- What should I be doing as I approach retirement?
- How can I best transition the management of the practice?
- How can I best transition my client relationships?
- What do I need to do retain long term clients for the firm?
- What am I going to do with the second half of my life?
- Do I feel financially secure?
- What future role do I want to play in the firm?
- How can I best help the firm be successful?

Remember succession planning is a process and not an event. Start now by thinking about your future. A good succession plan should provide you with multiple opportunities. Don't wait until it's too late. Start now.

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