

### EFFECTIVE PRACTICE GROUP MANAGEMENT – A RETURN TO PROMINENCE AS A CRITICAL LAW FIRM MANAGEMENT PRIORITY

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This monograph revisits a topic we have covered on numerous occasions in the past – effective practice group management. We return to this very important topic for a number of reasons.

- Project work flow at Smock Law Firm Consultants has seen a noticeable spike in assignments designed to help clients take their practice organizations to a higher level of effectiveness and performance.
- More pointedly, our recent survey of law firm leaders (April 2010) asked what their management priorities were for 2010. Practice group planning and practice group management were the number one and number three priorities for this year (respectively) among law firm managers. Thus, our anecdotal experiences are paralleled by input across the broader marketplace.
- That same survey also found “*improved strategic plan implementation*” high on the list of management priorities for 2010. We believe that effective strategy implementation and effective practice group management are two sides of the same managerial coin.

The remainder of this monograph provides a brief historical background on practice group management, a reflection on the current state of practice group management, and a look forward at how to take practice management to a higher of effectiveness and impact on firm-wide performance.

#### HISTORICAL BACKDROP

The migration toward practice groups – as a focal point for at least some managerial activity – began more than 30 years ago as larger firms started forming departments to respond to clients’ increased needs for specialized expertise. Formal practice group management – as a discipline – took hold more recently (in the last 20 years) with the movement to practice focused organization structures.

- Organizational designs that were structured around smaller groups with shared specialties, sub-specialties, industries and/or some hybrid of these factors were common in most mid-size and larger firms by 2000.
- Pockets of resistance persisted at many firms (often that of the “*lone rangers*”) and litigators were often reluctant to be “*pigeon-holed*” into what they perceived to be smaller, more tightly focused practice groups.
- By the turn of the century practice group leaders could find an array of resources available to help them as managers – from training programs to books and articles to coaches.

This flurry of activity – organizing the groups, getting the first wave of managers trained, and delegating management responsibilities to the practice groups – did lead to meaningful improvements and yielded benefits. However, those benefits were realized on a very uneven basis, based on a variety of factors, but more often than not, on the level of effectiveness of practice group management at the firm and practice levels.

The most obvious early benefits from the move to practice groups were improvements in basic business hygiene (e.g., getting time recorded, getting invoices out to clients, collecting bills in a timely manner). Many groups also made real progress in setting a strategic direction for their group, in improving its marketing effectiveness, and in developing professional talent. In many firms, the practice groups that tended to do better were the specialty groups (e.g., ERISA, health care, etc.) – they were smaller, they were comfortable forming knowledge based teams, and in many cases they were already cohesive groups within their firms. The more general litigation and transactional practices in many firms were less successful, often because the partners were more comfortable pursuing their own individual practices and, consciously or subconsciously, saw the formal practice groups as a threat.

More recently – pre-recession – the focus on practice group management and on the performance of practice groups as business units within the firm seemed to have waned – in mid-sized firms in particular. Mid-size firms lagged in adopting the level of organizational discipline needed to reach a higher level of practice group management effectiveness. And, let’s face it – if partner income is rising at 10% per year, there is not much incentive to focus on what is perceived by many firms and their partners to be a difficult management task.

Meanwhile, larger firms, facing substantial organizational challenges stemming from their geographic and practice breadth, accepted the need for real authority and accountability at the practice group level and continued to emphasize practice teams. They invested resources to support (with people and technology) practice group leaders. As a result, we believe that many of the positive gains mid-size firms have made in demonstrating their quality and value to larger corporations, could be quickly eroded as workloads approach pre-recession capacity levels.

### **CURRENT STATE – BACK ON THE RADAR SCREEN**

Given this historical backdrop, we are very pleased to see practice group management and practice group planning moving back to the center of many firms’ managerial radar screens now that the most severe recession in law firm management history appears – to a great degree – to be behind most law firms.

- Quite simply, the recession forced law firms to focus on efficiency, capacity management, and costs – and by extension they were focused on effective strategy execution.
- Frankly, that focus on execution and efficiency worked. Those who executed effectively managed to maintain or grow profits in a very down economy.

Client pressures on fees, costs, and value enabled many high quality mid-size firms to achieve tangible growth in work from larger companies – generally at the expense of higher rate competitors. That swing of work toward high quality, reasonable rate firms can be cemented into more sustainable long term relationships. But, we believe that will only happen if firms demonstrate that they can manage effectively when firms return to full (or nearly full) capacity.

Smock Law Firm Consultants’ recent survey of law firm leaders (April 2010) underscores the fact that practice group management and planning is back at the center of the radar. Practice group level planning was the number one focus of firms surveyed and improved practice group management was number three. Couple that with a related finding that industry focused marketing and improved strategy execution (both practice group oriented tasks) were also among the top tier priorities, and the conclusion that the renewed focus on practice groups is a distinct trend, is inescapable.

Focus for Improvement	Rank	Rating Score
Practice group planning	1 (tie)	1.5
Increased lateral hiring	1(tie)	1.5
Underproductive partners	3 (tie)	1.6
Practice group management improvements	3 (tie)	1.6
Industry focused marketing	3 (tie)	1.6
Regular, formal client feedback	3 (tie)	1.6
Alternative fee approaches	7 (tie)	1.7
Better strategic plan implementation	7 (tie)	1.7
Better associate training and development	9 (tie)	1.8
Strategic plan development/revision	9 (tie)	1.8

Focus for Improvement	Rank	Rating Score
Project management techniques/ training	11 (tie)	1.9
Smaller mergers/acquisitions	11 (tie)	1.9
Website revision/improvement	13	2.1
Revising the associate salary structure	14	2.4
Revising partner compensation	15 (tie)	2.5
Partner structure – equity/income	15 (tie)	2.5
Governance restructuring	17 (tie)	2.6
Balanced scorecard/performance measurement	17 (tie)	2.6
A larger merger	17 (tie)	2.6

As strategic management consultants, we have long believed that practice level planning and execution was critical to effective strategy implementation in law firms – almost regardless of the strategy. Frankly, while administrative departments can lend valuable support, strategy execution that directly impacts client experiences with the law firm tends to be focused in the practice groups.

Throughout 2009 and more so this year, we are being asked by more and more firms to help them do what is necessary to achieve truly effective law firm practice group management. That work has been both rewarding and educational – we are gaining substantial insights into what the next level of performance is and how firms can get there. The next section provides an introduction to what we have learned.

## **LOOKING FORWARD – HOW TO ACHIEVE TRULY EFFECTIVE PRACTICE MANAGEMENT**

We view practice group management through the dual prism of active management and strategy execution.

### **Active Management of Practice Groups**

Effective practice group management demands active management (and involvement) at the firm, practice, and partner levels. While the specifics of how each firm approaches active management can and should be different, there are certain principles that must be part of an effective active management approach – these follow.

- **A clear, well understood firm-wide organization and a clear articulation of responsibilities** – firms must be clear regarding practice group job requirements, expectations, and policies/procedures.
- **Assigned leadership** – practice groups require a single leader, it does not work without one – while there may be solid reasons (on a case-by-case basis) for co-chairs or co-leaders, they should be few and far between.
- ***“It’s the group, not the leader”*** – while an effective leader clearly trumps an ineffective leader, the secret to practice group effectiveness is not the leader, but the group operating as a cohesive team – firms need to focus attention on the full group.
- **Broad delegation within the group** – partners (and associates) within the group each need some group related responsibility/task for which they are accountable to the full group – broad based delegation is essential to practice group success, the leader cannot/should not do it all – ultimately, everyone has a valuable role to play.
- **Planning and budgeting** – these are critical management tasks that make practice group management work – budgeting should be pushed down to the practice groups (and supported by the CFO) and groups should be held accountable for achieving a budgeted contribution to profit (revenue minus direct expenses).
- **Practice group leaders functioning as a team** – firms need deliberate, planned interaction among the practice group leaders to exchange information, to serve as a firm-wide marketing (and cross-marketing) team – and, in some firms – to serve as the primary decision making body for the firm.
- **Meetings, meetings, meetings** – practice groups have to formally get their members together, interact and exchange information – and, those meetings must be effective (i.e., have an agenda and objectives, encourage and require participation, and end on time).
- **Sufficient support and resources** – most firms provide leaders and their groups with insufficient support and resources, yet expect the leader to do everything while also practicing law (full-time) – the concept works considerably better when sufficient resources (people and technology) and support (finance, marketing, etc.) are provided consistently to the groups and their leaders.

## Focus and Balance – The Elements of Effective Strategy Execution

We make the naïve assumption that most law firms already have a formally stated strategy for the post-recession economy and the firm's position in the recovering legal marketplace. Interestingly, many firms appear to be leaping over this important point (note that strategic plan revision was ninth – well into the middle of the pack of management priorities). The market has dramatically changed and firms should revisit their strategy sooner rather than later.

So, assuming there is a well articulated and effective firm level strategy, we believe there are two fundamental elements that drive execution of that strategy at the practice group level.

- First, what does the firm need from the practice group? A parallel question for the practice group is, *“why are we – this practice group – in this firm?”*
  - On one hand, the firm is issuing the practice groups a Kennedy-esque challenge to *“ask not what the firm can do for the practice groups, but what the practice groups can do for the firm.”*
  - On the other hand, it is a two way street (particularly in this era of partner mobility) – so, the practice group needs to understand why the firm is a productive platform for its work, its people, and its clients.
- Second, the practices need to develop simple, highly focused plans that translate the answer to those questions into actionable management initiatives. Getting focused requires keeping the practice level plan as uncomplicated as possible.

## Balance – Aligning the Practice with Firm Level Strategy

Increasingly, firms are compelled to strike an effective balance between clients' demands for increasing value and partners' (i.e., owners') expectations for growing profitability. Firm level strategic plans should be clear in defining how that balance is being struck on a macro level. In that context the practice groups should articulate their role in improving financial performance and in strengthening and extending client relationships.

Relative to financial performance, different practices can (and should expect to) play different roles depending on the nature of that practice. Examples of financial strategies at the practice level can include a focus on creating leverage and/or driving volume; capturing high rates and/or premiums; or delivering predictable revenues at high realization.

Likewise, in terms of client relationships and business development, different practices can and should play different roles.

- For some, the primary role might be to serve as a point of entry for new clients – to seek and develop new client relationships on behalf of the firm.
- For others that primary role might be to serve as a key relationship manager or quarterback – ensuring that a client is well served by the many practice areas interacting with that client.
- For still others, the primary role might be to deepen existing relationships by meeting key client needs – the so-called *“service practice”* role.
- Still others bring unique, high value expertise that can be a hybrid of the point of entry and service practice roles.

Different firms can define these primary practice roles differently – often as a function of the culture of the firm. For some it will be largely a top down process, with the Executive Committee asking practices to take on specific financial and client relationship roles. For others (which we prefer), it will be considerably more bottom-up, with the practices defining their roles within the parameters defined by the firm's strategy. Regardless of approach, doing this requires active collaboration – within the practice group and between practice leadership and firm leadership.

## Focus – Simplicity in Practice Level Plans

To facilitate the attainment of effective practice performance, plans should be simple. We advocate focusing on four key things – financial levers, growth expectations, business/client development, and people/capabilities.

- The five law firm profitability drivers are well understood. At the practice level the most manageable drivers tend to be production (and capacity), billing rates, leverage, and realization. Costs are generally less controllable at the practice level (though capacity management could be viewed as a form of cost management).
- In most firms growth is a central element in the overall strategy. In those cases, practices need to set growth expectations for the group (i.e., pace of growth, geographic coverage, etc.) and focus on their role(s) in driving that growth.
- Business/client development can be simplified in three questions:
  - Who does our practice serve that ought to be introduced to other practices?
  - Who do other practices serve that we ought to meet?
  - Who should we be targeting (either on our own or in collaboration with other practices)?
- People issues can be narrowly focused on topics such as professional development, retention and recruiting. Or, they can be more broadly defined –extending people considerations to related topics of the technology/tools/processes they need and use.

In a perfect world, a practice would adopt one or two initiatives for each of these four areas of focus. Every initiative needs definition, an owner or champion, and easily monitored milestones or metrics (to keep track of whether the initiative is working).

A generic example of a simplified practice plan (with both the overall role and the focused implementation initiatives on a single sheet) follows.

Strategic Role: Become a destination group for clients seeking differentiated expertise – an end-to-end solution for clients, driving premium (high rate, high return) work into the firm			
Financial Contribution	Growth Expectations	Client Relationship Development	People, Process and Technology
<ul style="list-style-type: none"> <li>▪ Drive top line/volume growth</li> <li>▪ Adopt models for alternative fee and quasi-contingent fee arrangements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure a functioning team in all our major offices</li> <li>▪ Grow capacity in X (an area of growing client demand)</li> <li>▪ Hire additional lateral teams with complementary industry/technical backgrounds</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pursue “<i>thought leadership</i>” in X area of law</li> <li>▪ Work collaboratively with industry groups with an initial focus on X and Y</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extend X as a differentiating front end for large scale work</li> <li>▪ Leverage our leadership in ABC to highlight our ability to take the best strategic approach to XYZ disputes</li> </ul>

## HOW SMOCK LAW FIRM CONSULTANTS CAN HELP

While each client is different, as are the assignments they have asked us to perform, we have helped clients in on a variety of practice group management assignments recently. Among that recent work we have:

- Assisted in designing and structuring the practice group planning and management process and related template(s)
- Facilitated the initial group leader training process, defined longer term training needs, and assisted in the roll-out to firm and practice management
- Provided analytical support as practice group roles are defined and/or practice foci are developed
- Developed pilot programs to launch the new process and templates with selected practice groups
- Periodically evaluated progress and carried out troubleshooting on emerging issues and problems.

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Smock Law Firm Consultants serves a wide range of law firm clients on national basis in **six key areas of practice** – strategic planning, strategy execution, practice group management, firm mergers and combinations, high level economic counsel, and resolving vexing strategic management issues. Our three partners – John Smock, Peter Giuliani, and Joe Walker are clearly the most experienced “*first string*” serving the legal marketplace.