

EFFECTIVE INDUSTRY AND PRACTICE TEAMS - THE SECRET WEAPON FOR PROFITABLE GROWTH AND MARKET DIFFERENTIATION

John S. Smock, Partner

As I write this monograph, almost 75% of 2016 is behind us and we continue to hear the same refrain from our clients and contacts in the legal industry - **“we are doing okay; revenues are up a bit (generally in line with rate increases); partner income will grow about the same percentage as revenue; but, we are not growing, our hours are down, and the competitive intensity we face continues to increase; and so, we are worried about the future, unless we can do something to generate growth.”** In truth, this is essentially the same refrain that we have heard for the last few years (and reported on it in our end of the year overall market assessment monograph). Law firms want growth - but, they are not getting it.

Given these market conditions, we believe that there only two primary strategic ways that well managed law firms can grow:

- While you can continue to add good laterals, most law firms have recognized that even the best run lateral addition program can, at best, only tread water - because other attorneys are always leaving for a variety of reasons. So, **you can only grow externally** by adding competitive groups of attorneys (very, very hard to do) or by doing smart and well thought out mergers/combinations (also darn hard to do, but less expensive).
- **You can only grow internally** by doing more valuable work (as perceived by clients) and having better and more informed and responsive attorneys than your competition. You can only get there by effectively structuring and managing market responsive practice/industry teams and groups that align with client needs. It is the logical internal growth strategy for most law firms almost regardless of size. But, teamwork does not come naturally to attorneys, it takes a lot of time and effort to do it right, and it entails significant business risk and often, fierce internal resistance.

Simply put in late 2016, you do not have a lot of options - you may not like it, but that is the way it is if a firm truly wants to grow.

This monograph is intended to provide an overall look at what needs to be done to effectively structure and manage practice teams and groups (since we and most firms' clients prefer the term *“team”* rather than *“group,”* the term *“team”* will be used throughout this monograph). Major sections include the present state of practice teams, a truly effective practice/industry team organization, active practice team management, team planning, firm management of all of its practice teams, and, finally, some *“quick hits”* (recommendations) that can help improve industry/practice team performance.

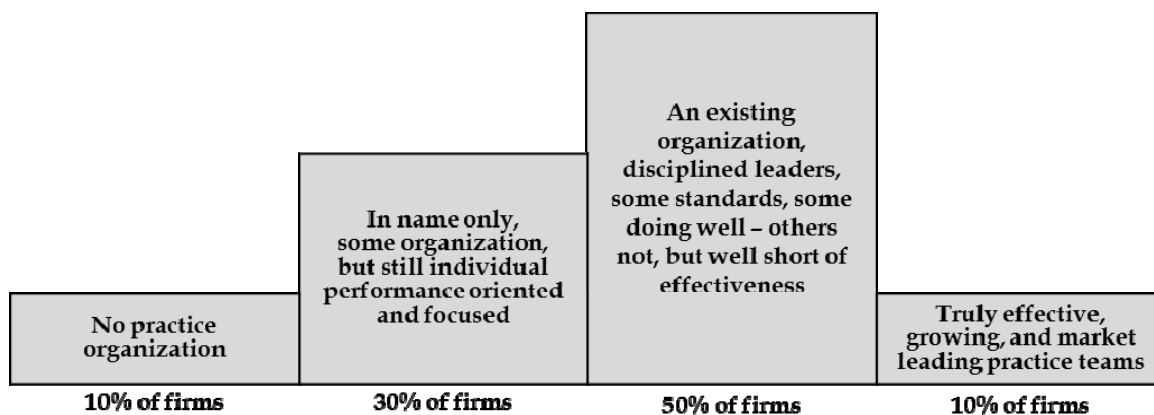
The Present State of Practice/Industry Teams

How did practice teams come about? While their evolution has been underway for a long time (certainly as long as the 32 years I have consulted to law firms), it has clearly accelerated in the last 15 to 20 years.

Since about 1990, most law firms over ten attorneys have organized their client service delivery structure in something resembling (often, very loosely) a practice team organization. Yes, there are still some holdouts, but they are the rare exception rather than the rule and, importantly, we would characterize their arguments for the primacy of individual attorneys and against practice teams as *“failing to recognize the obvious.”*

- Originally, practice teams were organized around partners who had a lot of work – they needed help and wanted to be able to control the availability and effectiveness of attorneys who served their clients. In fact, many high volume defense litigation firms are still organized that way.
- The next step in the evolution of practice teams was to organize the attorneys (and, usually, paralegals) around specific legal specialties (transactions, litigation, bankruptcy, securities, trusts and estates, etc.) and, over time, these legal specialties would be rolled up into larger departments (in many firms, there were three departments – transactions, litigation, and *“other”*).
- Sometimes in multi-office firms, a smaller office would be either formally or informally organized as a single practice team (which often made that office a prime target for a *“lift out”* by another firm).
- The latest evolution in practice team development has been the establishment of specific industry teams charged with serving clients in their designated industry, demonstrating a knowledge of industry related legal issues, and acquiring work based on demonstrated industry expertise.

If you look at where the legal market is in the second half of 2016 (among law firms of 50 attorneys and up), we can label practice team effectiveness in four performance buckets – (1) no practice organization; (2) practice teams in name only, in truth still individual performance focused; (3) an existing organization with leaders and some standards and with some doing well and others not so – but well short of where they should be; and (4) truly effective, growing, and demonstrably market-leading teams (that get it). Our guesstimate of the percentages that fall in each of those four buckets is shown in the bell curve below. If that guesstimate is accurate, the legal market has a very, very long way to go to get to an acceptable level of effectiveness in this important area – thus, this monograph.

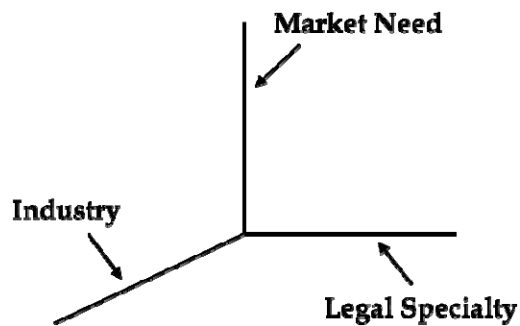


Defining and Describing an Effective Practice/Industry Team Organization

An effective practice/industry team organization will more than likely have most, or preferably, all of the following characteristics:

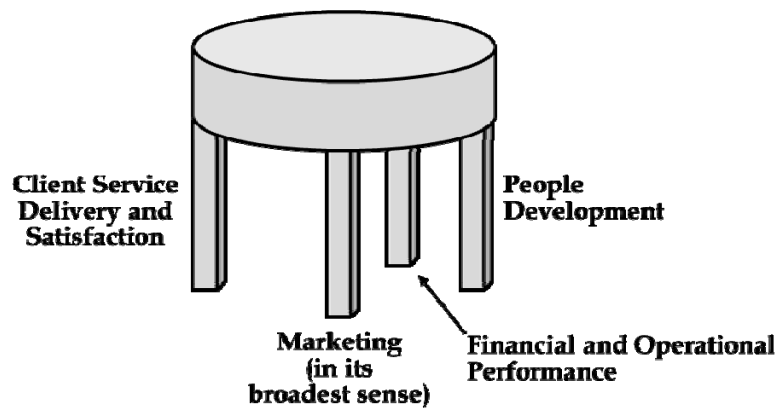
- Practice/industry teams as the primary organizational entity within a law firm charged with the full range of client service activities – acquiring, serving, and satisfying clients

- For most firms, a single level of teams focused on a particular industry (energy, healthcare, food); a particular market need (ERISA, wealth preservation, white-collar defense); or a necessary/particular legal skill (appellate) – thus, a multi-dimensional organization and often, an interdisciplinary one



- A recognition within the firm and among all members of the teams that these teams are expected to operate as **accountable business units** having responsibility for marketing and attracting work, executing the work, client handling, planned and agreed to financial results, and people development (as shown in the four-legged stool below)

The Four Interrelated Legs of the Stool



- A recognition that practice teams are not permanent – they are established to respond to needs and new ones should be established, when the need is there, and others should be disbanded or not emphasized, when the need no longer exists
- A designated, accountable, trained, rewarded, and motivated practice team leadership and management (i.e. - a real leader or leaders) – the best leaders on a team should be the team leaders, not those with the largest books of business
- A shared responsibility, within the team, for the functions and activities that the team must carry out – in other words, each and every member of the team has a defined and articulated role to play and is responsible to her/his fellow team members for carrying out that role (no one – I repeat – no one gets a pass)

- Full and shared team responsibility for meeting stated team marketing, operational, and financial objectives (plan financial results and growth, new business acquired, revenue, and necessary activities) – it is **we not me** (as shown in the below sample team organization chart).



Active Practice Team Management

We find virtually every law firm – regardless of size – clearly sub-optimizes the potential and performance of its practice teams. What is clearly needed is **active, effective practice team management**. This includes the following.

- **A clear, well understood firmwide practice team organization and a clear articulation of teams’ responsibilities** – firms must be clear regarding practice team (both leaders and members) job requirements, expectations, and policies and procedures.
- **Assigned leadership** – practice teams require a single leader. They do not work without one – while there may be solid reasons (but, only on a case-by-case basis) for co-chairs or co-leaders, these should be few and far between.
- **“It’s the team, not the leader”** – while an effective leader clearly trumps an ineffective leader, the secret to practice team effectiveness is not the leader, but the members operating as a cohesive team. Firms need to focus attention on the involvement of the full team, expect all team members to fully participate, and have their performance, as members of the team, rewarded and/or sanctioned.
- **Adjust to reality** – not all practice/industry teams can be the same size or structured the same way – the needs of the clients and/or industries that those teams serve and the services those teams provide dictate what the group looks like and how it is structured.
- **Broad delegation within the team** – partners (and associates, paralegals, and staff) within the team each need some team related responsibility/task for which they are accountable to the full team. Broad based delegation is essential to practice team success, the leader cannot/should not do it all. Ultimately, everyone has a defined and valuable role to play.
- **Planning and budgeting** – these are the critical management tasks that make practice team management work – budgeting should be pushed down to the practice teams (and supported by the CFO and her/his staff). Teams should be held accountable for achieving a budgeted and agreed upon **contribution to profit**.

- **At the firm level, practice team leaders functioning as a team** – at a level up, firms need deliberate, planned interaction among the practice team leaders to exchange information, to serve as a firmwide marketing (and cross-marketing) team – and, in some firms – to serve as the primary decision making body for the firm.
- **Meetings, meetings, meetings** – practice teams have to formally get their members together, interact, and exchange information. Thus, the collective practice team leaders need to meet regularly. All of these meetings must be effective (i.e. – have an agenda and objectives, encourage and require participation, be creative, and end on time).
- **Sufficient support and resources** – most firms provide leaders and their teams 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, business development, etc.) are provided consistently to the teams and their leaders.

And, as there are elements of active, effective practice team management, there are also some “no-nos.” These follow.

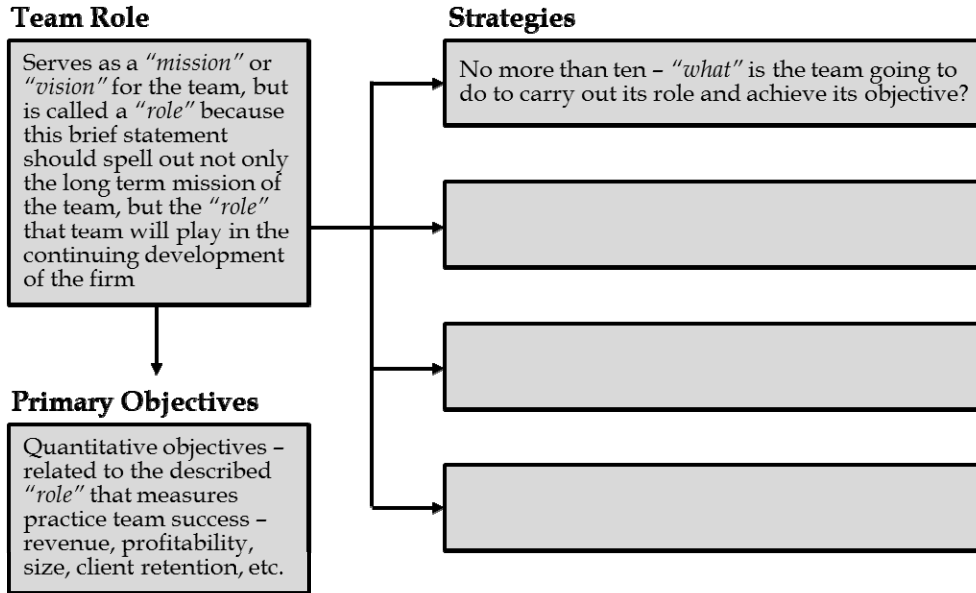
- **Do not** assume every practice team can fit a predefined, “one size fits all” structure – not all practice teams will look or be managed alike.
- **Do not** view practice teams as permanent – they must continue to justify their existence.
- **Do not** make “factless” decisions about practice teams – information, data, and facts (the results of responsible research) are essential.
- **Do not** “paper over” the present organization by retitling what you have as a collection of “practice teams” – very few law firms presently have a real practice team organization.
- **Do not** structure practice teams that are too large and cannot be market driven (e.g. – all the litigators in one large team).
- **Do not** accept the status quo – markets and clients’ needs are constantly changing and today’s high priority will not be tomorrow’s (the most recent example – the roiling in energy industry).
- **Do not** let politics be the primary criterion in both determining practice groups and/or their leaders – decisions should be based on business needs.

Planning

The secret to excellent practice team performance is very good planning and very, very good execution of the results of that planning.

- There are four types of practice team planning – resulting, when combined, in the practice team plan – an annual plan containing the following planning elements.
 - **Strategic planning** – the direction (role) of each practice group, the quantified objective(s), and the strategies to get there
 - **Financial planning (budgeting)** – the long (multi-year) and short term (annual) financial objectives of the team

- **Marketing planning** – the specific activities deemed appropriate to “*expand work for present clients and secure new work for new clients*”
- **Operation planning** – the specific action steps the team will take to carry out the strategic plan, meet the team’s financial objectives, and execute the marketing plan
- The team’s **strategic plan** should be a one-page plan and streamlined from our one-page model for a full firm, as shown following.



- **Financial planning** should be accomplished with firm financial staff assistance.
 - The key statistic is the team’s **contribution to profit** – that measure that team management members can impact/control, as follows.
$$\begin{array}{r}
 + \quad \text{Cash revenue (of the attorneys/timekeepers on the team)} \\
 - \quad \text{Personnel expenses (compensation, benefits, and training)} \\
 - \quad \text{Direct team expenses (marketing, etc.)} \\
 \hline
 = \quad \text{Contribution to profit}
 \end{array}$$
 - Do not allocate overall firm overhead to the practice teams. It gets in the way of focus and the need to take steps that impact the desired objectives and gives the team leaders something to argue about that they have no control over.
 - We also suggest that each annual financial plan also include the following two years (i.e. – so, each year, each team has a rolling three-year plan).
- The **marketing** and **operational** plans function as the implementation plans for the team’s strategic and financial plans.
 - They are both composed of specific steps, responsibility, and timing.
 - We believe particular care should be taken with developing and executing the marketing plan. Practice teams are expected to grow and the steps to be taken should be focused on getting work, not general image marketing.

- David Ogilvy (called both the “*King of Madison Avenue*” and the “*Father of Advertising*”) is famous for his quotes, but to paraphrase one of the more famous in the context of law firm marketing, “*if a marketing strategy does not result in more work from present clients and new work from new clients, it is a waste of time, money, and attention.*” You will not know how effective marketing is unless you plan for it and measure it – both results and activity, although results trump activity.
- Do not focus the Firm’s marketing resources on individual partner marketing efforts (the squeaky wheel approach). Rather, focus the resources and efforts on marketing the firm’s practice teams, particularly those that the firm determines are of high/higher priority (yes, Virginia, there are some teams that deserve more resources than others). This includes assigning specific resources and marketing personnel directly to the practice teams.
- Finally in planning, there needs to be a regular annual planning cycle (at the team and the firm levels) – and example is shown below for a calendar year firm.
 - **Early October** – practice team strategic plan development and/or revision
 - **Late October** – practice team development of initial budgets and operational plans (including marketing)
 - **November** – budget analyses and second round of budget submissions (we suggest a budget presentation and critique meeting for all teams)
 - **Early December** – final presentation of all team budgets and final adjustments by firm staff
 - **Early January** – presentation of firm budget and practice groups’ budgets and individual teams’ plans to full partnership.

Firm Management of its Collective Industry/Practice Teams

To this point, this monograph has focused – primarily – on individual practice teams and their membership and leadership. While obviously the benefits from effective practice teams do come from their individual performance, their collective performance (i.e. – all of the teams) is very important to an overall firm’s performance.

- The two biggest sins committed by firm management in dealing with their practice teams turn out to be polar opposites – either micromanaging the teams from the Management/Executive Committee level or leaving the teams to operate as fully independent units without coordination and communication among the teams and the team leaders. Neither extreme works very well.
- There has to be a loose, but effective, firmwide management of all of the practice teams.
 - Practice teams have to cooperate in serving clients, expanding work for those clients, and attracting new clients – and someone has to be responsible for and lead that cooperation. In most firms, that is a key role of the managing partner/CEO.
 - Since we believe that, generally, these committees should be setting policy and monitoring performance, the role is more of an active leadership one best performed by the chief executive.

- The team leaders (both practice and industry teams) **should meet/communicate regularly as a single group/committee.**
 - They should meet regularly, have specific agendas, and discuss and coordinate marketing and practice development, as well as client service efforts.
 - At an international law firm group meeting where we were speaking a number of years ago, we were asked, *"please name a single action that you feel could have the greatest impact on firm performance, growth, and profitability."* Our answer was a simple one - *"disband and eliminate your firm's Marketing Committee (which in most cases is either useless or pretty darn close) and replace that committee with a committee of the industry/practice team leaders, who could effectively lead and coordinate marketing and business development efforts."* We still believe that, but not many firms have done it.
- The role of the Management/Executive Committee is not to micromanage, but to view its industry/practice teams as a portfolio of business units, whose collective performance they want to maximize. The primary tool we suggest for this multi-team management addressing is a time tested management approach called *"portfolio management."* The concept is straightforward and best shown in the below matrix (which slots all practice teams in relation to two factors - market attractiveness and relative market position) thus enabling a firm to determine priorities, levels of investment, and the like.

MARKET ATTRACTIVENESS

		MARKET ATTRACTIVENESS		
		High	Medium	Low
RELATIVE MARKET POSITION	High	<ul style="list-style-type: none"> • Family Business • Private Equity 	<ul style="list-style-type: none"> • Public Finance • Energy 	
	Medium	<ul style="list-style-type: none"> • Initial Public Offerings 	<ul style="list-style-type: none"> • Mergers and Acquisitions 	<ul style="list-style-type: none"> • Insurance Defense
	Low	<ul style="list-style-type: none"> • Health Care • Intellectual Property litigation 		<ul style="list-style-type: none"> • Workers Compensation

Some Quick Hits

While we have focused on what we believe are practical and effective steps for managing industry and practice teams, we thought we would wind up this monograph with some *"quick hits,"* things that can be implemented fairly quickly (with the exception of compensation changes) and should have a positive impact on team effectiveness. These follow.

- **Get the practice teams focused on external issues (clients and getting clients)** - it has been our experience that practice teams, even when they meet regularly, are overly focused on internal issues and administration. The more the practice teams can focus on serving clients and getting clients, the more effective they will be. Within and across practice teams, **client service teams** (doing **client service plans**) should be established.

- **Develop, update, and use a client service matrix** - one of the key tools that effective practice team organizations use are what is called client service matrices or cross serving matrices. These can be easily developed (major clients on one axis and industry/practice capabilities on the other) with the boxes filled in with actual client work by team. This tool can easily identify opportunities for service expansion and demonstrate progress in broadening client representation.
- **Provide sufficient support and infrastructure** - most industry/practice teams have little administrative support - yet, if they are going to be the focus of client service delivery, marketing, they need it. A number of years ago, a major national firm hired McKinsey to see if they could give that firm some insight into effective ways to manage practice teams. Their primary recommendation was to assign business managers to one or multiple teams to assist in the management and administrative processes. You do not have to be a major firm to use these type of resources. Also, marketing resources can and should be directly assigned to teams (usually multiple teams).
- **Visibly reward team leaders and team members** - an underlying principle of management is that you get what you reward and you do not get what you do not reward. Simply put, team leaders need to be rewarded for their management and their team's performance and team members need to be rewarded for the performance as members of the team. Obviously, these rewards are not at the same level as direct performance rewards (work, client management, and origination), but people need to know that they are being rewarded (or sanctioned) for their performances as team members.
- **Break up larger teams into sub-groups of more manageable size** - larger groups can be broken down a number of ways - be industry, by sub-specialties, or simply as groups centered around key clients and/or rainmakers. Regardless of the approach to crafting smaller groups, the end result should be a group that can think in consistent terms about appropriate pricing and leverage models, business development targets, new service development, and differentiation in the marketplace. On average, practice/industry teams ought to be about ten attorneys.
- **Kick the gorillas upstairs** - at the firm level, many firms have used "*Chairman*" or "*Chairman Emeritus*" and other prestigious titles for esteemed firm leaders who are no longer expected to be actively involved in day-to-day management activities. We suggest that firms adopt a variation on this concept at the team level - bestowing a prestigious title on the biggest rainmakers in practice groups, without asking or expecting them to actually manage the group on a day-to-day basis.
- **Focus on the teams, not just the leaders** - what makes a practice group potentially so powerful is the **collaboration within the groups by all of its members**. While practice leaders should be supported and trained, we recommend shifting the emphasis onto the performance of the groups, as opposed to an over-focus on the leaders. This includes:
 - Ensuring every partner knows and carries out their role and that all partners know each others' roles (like Seal Team 6 does)
 - Encouraging team leaders to delegate as much responsibility as possible to members of their team.

*

*

*

*

*

About Smock Law Firm Consultants

Smock Law Firm Consultants is a focused strategic management consulting firm serving law firms (our primary industry concentration and over 80% of our work), other professional service firms, and commercial entities.

We help law firms address and resolve those key issues that have a major impact on a firm's near term success and its long term direction and focus. We have seven key areas of practice - (1) **strategic planning** at firm and practice levels; (2) **strategic plan implementation and execution**, in essence, helping our clients do what they said they would do; (3) **mergers and combinations assistance**, helping identify, negotiate and implement combinations; (4) **practice team/group management**, helping the practice team concept achieve its potential; (5) **law firm economics**, helping our clients improve profitability and deal with longer term financial issues; (6) **operational excellence**, improving both the effectiveness and efficiency of firm operations (i.e. - process improvement); and (7) **strategic management issue resolution**, assisting in resolving issues of vexing management concern.

John S. Smock / jsmock@smocklawfirmconsultants.com / 847.457.6121

Peter A. Giuliani / pgiuliani@smocklawfirmconsultants.com / 847.457.6123

Gary B. Fiebert / gfiebert@smocklawfirmconsultants.com / 847.457.6122

Joseph V. Walker / jwalker@smocklawfirmconsultants.com / 847.457.6125