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UNLOCKING VALUE AND PERFORMANCE THROUGH BETTER PRACTICE GROUP MANAGEMENT

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Over the past ten years, nearly every law firm of reasonable size has adopted some form of practice group organization. Some have adopted the concept with relish and have driven management responsibility and authority into the hands of practice group leaders. Others have been more tentative, organizing into groups, but asking and/or expecting relatively little from both the groups and their leaders.

Regardless of how ambitious firms have been in embracing practice oriented organizational structures, we hear of dissatisfaction and frustration with the results. As logical and promising a concept as practice groups are on paper, they often fall short of expectations in the day-to-day reality of firm operations and management.

This monograph explores the factors that lead to sub-optimal practice group performance and it highlights steps firms can take to address those challenges and improve practice group performance.

SUB-OPTIMIZATION OF PRACTICE GROUP MANAGEMENT

We hear discontent with the effectiveness of practice groups and practice management from many directions – through our strategic planning assignments, at conferences and roundtables, during merger/combination market research and due diligence, and via informal networking. We see (at least) seven factors contributing to the sub-optimal performance of practice group organizations.

Shortage of Leadership

One managing partner, only half in jest, said that the reason practice group management has not worked better at his firm was because, “*we have 15 practice groups, but only six (good practice group) leaders.*” This shortage of leadership stems from many sources.

- Although many firms have (and should have) moved away from putting the “600 lb gorilla” in the practice group leader role, the impact of these gorillas and their egos (many of whom still want to be the leader) remains a factor in limiting the effectiveness of practice management.
- Many firms’ best leaders are recruited to take on critical, firm level management roles. As a result, the pool of leadership talent is thinned before practice leaders are appointed.
- Further, we see some generational bias at work in selecting practice group leaders. Frankly, the boomers have not been quick to bring so-called Generation X into leadership roles. Yet, the oldest of the Gen Xers are now in their 40’s. The time has come to develop firm leaders from that next generation – and practice group leadership is the right place to begin.
- Some of the shortage of leadership is really a by-product of a lack of time. Research has shown that practice management consumes at least 200 to 250 hours a year. Some firms’ best prospective leaders simply cannot imagine devoting that much time to practice management.

Lack of Honest Dialog on Practice Group Roles

We have long been strong proponents of the idea that practice groups need to have (and play) a well defined role within the law firm. Every practice has a valuable role to play, even though not all practices will be asked to grow and/or market aggressively. Yet, the discomfort firm management has in telling a group of partners that their group is not slated for investment and aggressive growth leads to there being virtually no strategic dialog about the role of the practice within the firm.

- First, there is often too little top down discussion regarding groups' roles. Firms need every practice to play a defined, valuable role. That begins with an honest dialog about what the firm needs from each practice – even when that role is not glamorous. Unfortunately, that conversation is lacking at most firms, usually due to the fear that partners will react negatively to not being asked to be a growth engine or an investment vessel for the firm.
- Within the practices themselves, there is too little discussion of the individual and collective commitments people are making – to align their priorities with the practice's direction and strategies. As every practice has a role to play, every partner in a practice has a role to play.
- Further, there is too little ongoing discussion of how the group is doing vis-à-vis its stated direction and strategies.
 - Relatively few firms are creating forums in which firm leadership and practice leaders can talk about performance, share advice, and “*tune-up*” the practice group's plans and priorities. These conversations, at best, happen annually or less frequently and as a result course corrections are not made.
 - Remarkably, many practices hold few (often, as few as possible) internal meetings – among the partners or among all professionals – to discuss the practice and its progress relative to plans and aspirations.

Insufficient Firm Level Support

One inhibitor of effective practice group management is the tendency within firms to apply insufficient resources to supporting practice level implementation. Many business strategies fail due to a lack of sufficient resources (time, investment dollars, etc.) – this is particularly true with regard to practice management.

Practice group leaders need to continue to practice essentially full time. The leadership role typically consumes 200 to 250 hours. In the life of a busy lawyer, those hours don't go very far unless underlying support extends and magnifies the value of that time. Most firms have not made allowance for direct management, administrative, and marketing support to practice groups, although that is rapidly changing.

Insufficient Client and Market Focus

A significant source of sub-optimal practice group performance is a lack of external focus. The lawyers in a practice group are spending the overwhelming majority of their time on client service. But, that daily focus on client work does not often translate into a broader client and market orientation for the practice.

- In part, that lack of broader market focus is a function of having organized the groups largely by legal specialty – not by client or market needs. As a result, people focus on bringing technical expertise to the matter currently in front of them – not on the broader needs of the client or market.
- Human nature plays a significant role in this failing. Short term demands always force out medium and longer term thinking (i.e., today's client deadline commands our attention, forcing out thinking about clients' and prospective clients' future needs).

Inter-Practice Synergies Largely Untapped

Many of the best opportunities for growth, differentiation and improved profitability lie in collaboration among practice groups – bringing multi-disciplinary solutions to clients. Firms with long standing relationships with large institutional clients respond to their cross-disciplinary needs instinctively (a distinct advantage for those firms). Others have embraced client service teams as a mechanism to better serve large clients across practices.

However, most practice groups spend little (if any) time thinking about opportunities and market needs that transcend their own practice capabilities. As a result, the synergies between groups – both for product/service development and for marketing and business development – go largely untapped.

Practice Groups Often Too Large

Some groups (firmwide litigation groups spring to mind) are simply too big to be managed effectively as a cohesive unit. In fact, large groups of commercial litigators or general corporate attorneys are not inherently, uniquely cohesive. Their shared knowledge base is genuine, but non-specific.

- For example, a large litigation department can do some things quite well as a single large unit – formal training for associates, project staffing for large scale discovery, and similar generalized activities.

- However, as business units, large departments do not work – relative to product/service development, marketing and business development, or pricing and rate setting.

Not Being Managed as Business Units

In the final analysis, the common theme limiting the effectiveness of practice groups and practice group management is the reality that most practices are not being managed like focused, purposeful business units within the firm. Firm and practice management have not adopted a perspective that capitalizes on the idea that the firm is a collection of highly collaborative boutiques – each one run well as a business and each fulfilling a distinct vision and role within the whole.

Firms have done an excellent job of building diverse practice portfolios. Unfortunately, the “*business units*” within those portfolios are not (all) living up to their potential.

WHAT SHOULD FIRMS DO TO IMPROVE PERFORMANCE?

Naturally, every firm is unique and the means to improving performance will vary from firm to firm. That said, we offer the following recommendations for improving the performance of a practice oriented organizational structure.

Take a Practice Group Portfolio Management Approach

Firm management should clearly define and communicate the roles each group is expected to play within the firm. Some groups should be driving growth, some should be significant contributors to profitability, and some need to be focused on serving the diverse needs of institutional clients. Identify what the firm needs from each group – then translate that into a direction and vision for the group (from which its strategies can then flow).

Identify and Pursue Opportunities that Cross Practice Boundaries

Basic cross-marketing matrices (major clients on one axis, practice capabilities on the other) are a simple tool that can get the ball rolling on the identification of inter-practice opportunities. Further, inter-practice synergies and opportunities should be an explicit consideration in practice groups’ planning processes.

Make External Issues a Key Focus of the Groups

The best way to break down an internal focus is to invest in an external one. Two proven approaches:

- **Client service teams** (usually involving partners and associates from more than one practice group) that focus, long term, on better serving major clients and meeting their expanding needs
- **Client feedback and input** that directly informs how the groups are serving significant clients and improves how the groups bring their services to market.

Some simple questions, asked routinely by partners in a group (for instance, as standing agenda items for practice group meetings) can help drive a more external orientation. Answers to the following questions represent the type of client and market information a group’s partners should routinely discuss.

- How much more of our existing services will our clients need in the future?
- How can we do this work better and deliver more value to clients?
- What else do our clients need? Do we (or our partners in other practices) do those things well?
- What other organizations (not in direct conflict with our clients) need the things we are doing today? Do we know (how can we get to know) those other organizations’ decision makers?
- How else can clients in this market use our knowledge base? What else should we be doing?

Under-Gird the Practice Leaders and Practice Organization with Strong Support and Infrastructure

Each practice leader brings his or her own strengths and weaknesses to the job. Recognize that each needs different kinds of support and provide what is needed – whether that is a good assistant, a deputy practice chair, a marketing coordinator or something else.

Examples of support we have seen provided productively to practice leaders and practice groups include:

- Consultation and advice from firm leadership (that ongoing, honest dialog noted above)
- Marketing, market research, business development, and client feedback support

- MBA caliber practice management (demonstrated to payoff for firms over 100 lawyers)
- Financial analysis and/or assistance in managing business hygiene issues (including dashboards, custom reports, and other technology support tools)
- Technology and related tools to make information gathering an easy task.
- Support with time management and organization (e.g., highly organized executive assistants, executive coaching, etc.).

Break Up Larger Groups into Sub-Groups of More Manageable Size

Large groups can be broken down a number of ways – by industry, by sub-specialties, or simply as groups A, B and C (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.

Kick the Gorillas Upstairs

At the firm management 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 practice level – bestowing a prestige 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 Groups, 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 partners know each others’ roles
- Encouraging group leaders to delegate responsibility to fellow members of their group
- Rewarding group leaders and group members for their performance as part of their groups.

Practice groups and practice group organizations are not going away. Critically, there continues to be tremendous upside potential within and across the groups at most firms. But, firms must be strategic in order to unlock the value there – both top down and bottom-up strategy development. Further, the process of thinking strategically about the practice needs to be continuous – not a static or episodic planning event.

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