How Can My Firm Avoid the Pitfalls in Implementing Effective Practice Management?

By Susan Raridon Lambreth

Most medium-sized and larger law firms have implemented some kind of practice management structure. But, as we have discussed in past columns, many of them have not been very effective or as effective as the firm leadership would have liked. This is usually a result of one of two causes: they did not implement all seven elements that are critical for effective practice management -- firm strategy, a compensation system that rewards contributions to group performance, not just individual performance, partner buy-in to group management, support from firm management, leaders with clear authority and responsibilities, and firmwide practice groups and primary assignments (see the June column) or they made one of the fundamental mistakes in trying to implement these.

First, what is practice management and what is it designed to do? Practice management encompasses the management of legal work, the client relationships and the professionals. Effective practice management results in (1) better, more efficient and more cost effective service for clients, (2) a better use of firm resources and a better financial return, and (3) a more satisfying and rewarding practice for individual professionals. Yet, many firms do not achieve these results because of mistakes in their structure or implementation. Our work with law firms on these issues has identified common pitfalls law firms have experienced that prevent them from achieving the expected benefits of practice management.

The pitfalls include:

- *Setting up and announcing a new structure without first achieving partner buy-in and communicating clear roles and responsibilities* – To have a functioning practice management system means significant cultural changes in most firms. It means that partners need to commit significant time to group activities, not just focus on their individual practices. They need to be willing to work toward group goals and put the group and firm goals above their own individual interests. They have to be willing to “be managed” in some ways, i.e., giving up some of their individual partner autonomy. Also, partners cannot fully buy in to practice management if they do not know what will be expected of them, the practice leaders, and firm management under the new structure. Fortunately, in most firms, effective practice management is critical to the firm’s strategy and partners are willing, even excited, to buy in when they fully understand the connection and believe the firm strategy is compelling.

- *Rolling out a new practice management system without aligning the compensation incentives to support group goals and performance, rather than "lone cowboy" activities* – The compensation system must reward the activities involved in practice management such as working toward the group's goals, sharing work and resources, working on group marketing targets, etc. If all partners see is an emphasis on individual performance (production and business generation -- "personal numbers"), there is no incentive for them to participate and, in fact, there can be a significant disincentive to spend time on group activities if it takes away from the time for their individual practice.

- *Trying to implement a practice management system without aligning firm systems like time and billing, new matter intake, recruiting and more* – This means that the client intake process needs to be changed to include the roles of practice leaders. The financial system needs to have its codes for matters set up consistent with the practice categories so that practice leaders can readily access information such as:
  - All the matters in their group;
  - The hours of all their professionals on matters in their group and outside;
  - Realization and other financial indicators for the group.

The recruiting approaches and policies for the firm need to include the role that the groups and their leaders will play in decisions about future staffing needs and the profile of professionals needed in their group. Without this alignment, there typically is frustration by those trying to undertake practice management activities and the firm often does not realize many of the benefits of practice management.

- *Starting the practice management structure with only the marketing and business development functions and hoping to evolve to the other critical functions like intake, work assignment and financial management* –While marketing is a critical function of any practice structure, trying to have practice groups focus on marketing without the other related functions that affect it is a prescription for failure. Literally dozens, if not hundreds, of law firms in the U.S. tried this and not many succeeded. Practice groups were expected to develop marketing plans and implement them. But, as the legal profession became more competitive, law firms had to do more than simply promote their services in order to be hired. Law firms needed to develop new services and products and differentiate themselves from the many other firms competing for the same clients. To be responsible for marketing functions but not other related functions doomed the Practice Group Leaders to fail. For example, the following functions affected the marketing success:

  - Marketing is based on having something to sell that is truly differentiable. The practice groups need to be responsible for research and development (R&D) for new services and for partners to implement the ideas developed. In addition, for a practice group to be effective in marketing, it must be able to distinguish itself from its competitor practices. Marketing is not about brochures or other promotion of the firm's services – those are merely tools to support direct marketing efforts. Rather, it is based on having unique ways of operating that distinguish the group from others. Many of the most effective ways to differentiate a practice group are based on how the group is managed – how and who it recruits, how it trains and develops its people, what products or services it offers that are different from the competitors, how it uses knowledge management, how it exercises quality control and more.

- Marketing is affected by client intake. The level of work the firm handles (from commodity to bet-the-company) affects the firm's reputation and market positioning. If a firm is perceived as handling a lot of commodity or operational type legal work, it can lose credibility to handle higher value work.

Thus, marketing is important but is integrally linked to how well a practice group does with its intake policies, recruiting, training, workload management and lawyer development, research and development, and more.

- *Appointing the wrong partners as practice leaders* – One common example of this is firms appointing rainmakers as practice leaders. While rainmakers are extremely important for law firms, their skills are often strongest in client relationship management and business development rather than leading and managing the group. In addition, many rainmakers (but not all) do not have the specific skills which are important to be an effective practice leader. These include strong organizational and communication skills, high emotional intelligence or EQ, perceived fairness and integrity, and a "firm first" mindset. Another example is instances in which firms appointed a partner who was not busy or who the practice group wanted as a leader because he was not strong, i.e., would not confront them or hold them accountable.

- *Thinking the firm can evolve slowly to an effective practice management structure* – While all firms should carefully implement practice management with planned and measured steps that fit their strategy and culture, a common mantra in some firms is "evolution, not revolution." What they really mean is that they have been unable or unwilling to deal with the tough issues of achieving partner buy-in so they are going to take baby steps toward implementing practice management. Usually this means that they are unable or unwilling to vest any authority in the practice leader to deal with the critical aspects of running a practice group such as intake decisions, financial performance of group members, work assignment and staffing. Basically, the practice leaders do not have the authority to deal with the issues which threaten the individual autonomy of the firm's partners.

- *Reluctance of firm management to hold lawyers accountable* -- Practice management only works if the lawyers are held accountable for their commitments as well as to help in building the practice. If some practice groups are performing well and making strong contributions to the firm's success and others are not -- and management does not deal with the underperformers -- morale can drop dramatically, as will long term commitment to practice group activities. All practice groups and all lawyers need to be held accountable for contributing to implementation of the firm's strategy and to the firm's performance standards. When practice groups work well in firms, the practice group leaders help firm management by holding the lawyers within their groups accountable. Practice leader roles are not ones where the leader is primarily an advocate or cheerleader for the group with firm management at compensation or other times. A practice group leader who is accountable for the financial performance of the group, as well as other measures of success, will hold his or her group members accountable.

Susan Raridon Lambreth is a nationally recognized expert on practice management issues and has worked with over 35% of the AmLaw 200 firms on these issues. She welcomes your questions on law practice management topics including law firm management, practice groups, client relationships and the care and feeding of legal professionals.