Practice Group Management: The Key to More Effective Use of Investment Time to Build Your Firm

By Susan Raridon Lambreth on September 5, 2023

Most firms today have embraced effective and empowered practice management for many reasons: improved engagement and retention of their valued professionals, greater profitability, more collaboration and teamwork, enhanced client base and much more. But, there is another reason that isn't often considered: It is the key to maximizing the billable and "investment"/nonbillable time commitment for today's law firm owners and other professionals. As most in law firms know, practice management is the management of a law firm's people, clients and matters through the operation of mix of practice groups, industry teams, client teams and offices – depending on the size and complexity of the firm and its specialized expertise.

Practice management affects the return-on-investment time because it provides an economy of scale where each lawyer's time is synchronized and tasks are shared by members of a practice group working toward common goals – best driven through the practice group's business plan. The practice group business plan and related practice management activities provide a roadmap to the effective use of investment time. In his book True Professionalism, David H. Maister said it well: "What you do with your billable time determines your current income, but what you do with your nonbillable time determines your future." Think of nonbillable time, then, as time invested in your future as a legal professional, as well as the future of your practice group and the firm. The expected result of working as a team within the practice group is a better return on the investment of each nonbillable hour.

Investment Time

Quality nonbillable hours are vital to the sustainability of every law firm. Many firms have renamed nonbillable time as investment time or a similarly positive name, as contrasted with the negative term "non-billable." This sends the message that time spent on investment is valued and important, rather than devaluing it by calling it nonbillable. Some firms have even worse terminology than nonbillable time, such as non-chargeable or even "non-productive." Imagine being in leadership in a firm that calls your time leading a practice group non-productive.

Firms that value investment time have reclassified timekeeping codes, thereby providing the metrics needed to track and incentivize the most critical activities. There should not be too many categories so that it is clear and can be evaluated for its value. A few of the most common categories include:

- Client relationship management
- Matter management
- Firm and practice group leadership roles
- Practice group plan implementation
- Research and development/new product or service development
- Innovation initiatives
- Knowledge management

- Targeted business development efforts (e.g., development and implementation of client plans), and
- Professional development, mentoring and

Over the past 20 years, most firms moved away from the more formulaic approaches to compensation that may not accurately reflect a lawyer's contribution to the firm and typically do not encourage the type of behaviors that align with its mission. Today, the most successful firms use what is sometimes called a "total contribution" or subjective approach to partner compensation. Of course, firms still must find a balance that equitably rewards teamwork, individual talent, and total contribution of both billable and investment time in the achievement of group goals. The total contribution approach dovetails with promoting the important contributions to practice management (mentoring and development of talent, transfer of knowledge, succession planning or transition of client relationships, etc.) while more fully encouraging and rewarding investment time than can be done in any formula.

Effective practice management is also essential to firm management's ability to manage the ever-increasing total hour requirements. Today, the average owner in a medium or large law firm is expected to spend at least 2,500 total billable and investment hours per year on firm and client work. In fact, in larger firms seeking to significantly increase or maintain their high profits per equity partner, the expectation—role modeled though not explicit—is closer to 3,000 total hours. For law firm partners, being as an owner means making a significant contribution of investment time to the firm. This includes, for example, involvement in practice group activities, associate mentoring, training, supervision and management, recruiting, business development and knowledge management – to name a few.

While the expectations for such investment time will vary from firm to firm, in many law firms partners are expected to account for upwards of 600 hours of investment time a year — in addition to their billable time expectations (as part of their total contribution of about 2,500 hours). A break-down of investment hours for a particular partner might be as follows:

300 hours: Client relationship management and targeted business development
30 hours: Trade association involvement and other thought leadership
120 hours: Associate training (including project supervision) and mentoring
100 hours: Participation in practice group meetings and implementing their part of the PG plan
<u>50 hours: Personal professional development – (professional reading, CLE, etc.)</u>
600 hours: Total investment hours

The exact mix of time spent by each partner would be very different based on their personal strengths in areas like business development vs. mentoring, innovation or other important roles needed by the firm and practice group. Each professional's time is typically guided by their personal business plan – developed after they participate in the practice group planning process so their personal efforts align with the group plan and other firm initiatives with which they are involved.

The practice group leader plays a pivotal role in organizing these tasks and leading the group toward common goals. Moreover, it is the practice group leader's responsibility to guide the group through the process of developing a strategic business plan. Together the group will prioritize goals and objectives, set measurable benchmarks to assess their progress in achieving the goals and objectives, and divvy up responsibilities and action items for making progress on the plan. A well-structured business plan can help the practice group allocate resources effectively and minimize redundant efforts—e.g., three lawyers targeting raising their profile in the same industry trade group and ignoring others.

Ultimately, the practice group's goal is to build a plan that distinguishes the group and stakes a claim to a competitive position in the marketplace. This position may be defined by clients served, services offered, the way in which those services are delivered, and the practice group's overall commitment to the plan. In the end, these efforts will increase the group's profitability.

The role of the practice group leader is comparable to that of a portfolio manager. Portfolio managers are responsible for managing the assets of the portfolio, for example, securities, real estate, companies, etc. Practice group leaders are responsible for managing the assets of a subset of the firm. In this case, the assets are the lawyers in the practice group. The primary objective of the portfolio manager is to increase the return on investment of the assets in the portfolio for the investors. The practice group leader has a similar responsibility which ultimately translates into increasing the return on investment—both billable and investment hours—from the members of the practice group.

Benefits to the Individual Owner

Historically, in most firms, partners were measured almost entirely based on their own individual performance. With tremendous pressure to make their numbers, partners were expected to be highly effective in each area: production, marketing, and management of their matters and teams. The individually focused compensation systems in most firms also placed tremendous psychological pressure on partners to perform in all areas year after year.

But the reality is that most partners are not good in every area. An effective practice management structure can go a long way toward relieving these pressures by allowing each partner to contribute to the success of the group in a way that best suits his or her own talents and experience while relying on others in the group for other functions. Some partners are good at business development but not so good at mentoring or developing associates. Others are very tech savvy and aware of the latest innovations that could improve the practice group's service delivery or differentiate it from competitors. Using participation in the practice group plan and individual business plans to guide the use of each person's investment time not only has a greater positive impact on the practice group, it also can energize the lawyers to bring their skills and talents to the group and firm. By diversifying the risk in this way, an effective practice group enhances the likelihood that all partners will be successful—not by relying solely on their own individual efforts, but rather on the collective efforts of the group.

There are other benefits, as well. Practice management can give partners an opportunity to take on new challenges. Many partners find that the activities needed by their practice group—and valued by the firm as part of their commitment to practice management—can provide an interesting balance to the day-to-day practice of law. For example, many lawyers enjoy teaching and, as part of a practice group training program, welcome the opportunity to share their knowledge. Others enjoy the challenges of strategic planning or targeted business development and, through practice group activities, have the chance to pursue these areas. Still other partners enjoy the challenge of creating new products and services for clients and, through their practice groups, eagerly take on research and development roles. In short, practice groups can provide opportunities for many lawyers to spread their diverse skills beyond traditional legal practice. Many partners find it extremely rewarding to do so.

Finally, practice groups that develop focused business strategies and succeed at getting their members to work together to enhance the group's market position are better able to create a recognizable brand for their services. It is a sustainable advantage, allowing firms to attract higher value work while, at the same time, helping lawyers to achieve greater personal satisfaction from the practice of law. By so differentiating themselves from the many other firms offering the same service, such groups are also better able to attract and retain top- flight professionals who further elevate the status of the entire group.

Conclusion

Working in teams can propel a practice group to be more effective when compared to individual efforts. This is especially evident in the short run. To illustrate this point, imagine that there are twenty sailors each paddling in their own kayak against a swiftly moving current. None of the sailors can travel very far or very fast and as a result, they remain close to the point where they began.

Next, imagine that the sailors are grouped into four crews with five sailors each. The crews each have a coxswain (a leader) to guide the rowboat and coordinate paddle strokes. Working together, the crews can travel farther and faster than the sailors in the kayaks, but their rowboats are still relatively small and the crews must remain in local waters. The larger the boat, the bigger the group, the more leadership and coordination is needed for the sailors to be effective and travel farther. Two groups of ten sailors can crew schooners and travel large regional bodies of water. Eventually, all twenty of the sailors, working in tandem, can crew a square-rigged, three-mast ship and sail the oceans without limits.

If those twenty sailors working in tandem were lawyers who each devoted 600 hours of investment time to the practice group, the total contribution of the group would be 12,000 hours! Even if only one-quarter of those hours were devoted to the group's efforts, that would still be 3,000 hours. Many firms expect partners to contribute an investment of time like that (at least 150 hours) to their primary practice group. This gives the group significant power to accomplish its goals and move forward vis-à-vis its competitors, even in a tight market like today.

Like the example of the sailors, lawyers, who have the compensation incentive to work together in practice groups, will achieve a greater return on their investment time and exceed individual performance expectations. Law firms that coordinate the talents and skills of their many professionals and manage their combined efforts within well-structured practice groups, will maximize the effectiveness of their talented individuals.