

Report to Legal Management

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Key Considerations in the Formation of a New Practice Group



Thomas S. Clay

By Thomas S. Clay

Organizing a new practice group is like starting a new business. Champions of the group should treat this opportunity in the same manner as entrepreneurs would, ensuring that they evaluate all key considerations before making a proposal. By the same token, management should act like bankers or venture capitalists, holding aspirants to high standards before allowing new groups to be formed. Below are some key issues that should be considered when organizing a new practice group.

Developing a Business Purpose Statement

The group should formulate a business purpose statement that includes a clear articulation of the clients or type of clients the group expects to serve, the specific services that the group will render, and the geographic scope. Investors in a business are most interested in what the business intends to do, who its customers will be and where it will conduct commerce. The same can be said of a practice group.

A clear business purpose statement might read, "The group will provide regulatory, general corporate, financing and litigation services to healthcare and healthcare-related entities doing business in the Northeast."

A group can then elaborate briefly on its focus (e.g., expertise-based, focus upon a particular industry or group of clients, etc.). The group can also describe in some detail the type(s) of clients it aspires to serve,

including a list of current clients or targeted new clients on whom the group will focus.

Fit with the Firm's Strategic Focus

There should be a short but clear statement regarding why this practice group fits and facilitates the firm's overall strategic focus. Often, new practice groups are inconsistent with the firm's strategic focus or simply occupy a neutral position. Neither of these scenarios is beneficial to the firm long-term and should be rigorously avoided.

For example, one firm's strategic aspiration is to be the clearly dominant business firm in a tri-state region. The region's economy is fast growing, attracting both domestic and foreign business investment. The firm has few relationships or ties with state governments, something that can benefit businesses looking to develop operations in the area. A group in the firm decides to pull together lawyers with government ties and to recruit others in order to form a powerful

continued on page 11

Inside This Issue

Altman Weil: Bringing You the Best Writing
and the Best Writers 2

Law Firm Partner Retirement and Succession 3

Leadership Notes: Avoiding Firm Liability:
Minimizing Occurrences of Professional Misconduct . . . 5

Rethinking the Law Firm Retreat:
Consider an All-Inclusive, Firm-wide Retreat for Lawyers,
Paralegals and Support Staff 7

Using Benchmarks and Performance Metrics to
Make Better In-House Compensation Decisions 8

Key Considerations ... continued from cover

lobbying and legislative affairs capability. This group will directly support the firm's overall mission by adding capabilities that will benefit businesses.

Competition

The group should articulate its major competitors — both firms and practice groups in other firms, setting forth competitive information such as practice styles, composition of professionals, clients, and the like. This is where competitive intelligence and business research is useful. Many groups fail to provide such information, making it difficult to determine whether the proposed group can become competitively positioned quickly, over a longer term, or never.

Social, Economic or Legislative Data

Groups may come into existence in response to external factors representing a significant opportunity. Where this exists, the group should indicate whether it is in the first wave of movers or lagging behind other competitors. It is not necessary, however, to be the first mover in order to be successful. Practice groups, by and large, are successful because of their superior leadership and execution. Just because a firm organizes a group first by no means gives it a sustainable competitive advantage.

Leadership

The group should clearly set forth a leadership cadre — those partners who pledge to make a significant investment in the group's success. This should be more than just the practice group leader. If a group does not have at least three or four partners who are willing to invest significant time and effort in development of the group, it is unlikely to be highly effective.

In addition to its leaders, the group should set forth other mem-

bers of the firm, both partners and associates, who would be expected to be members of the group, identifying them as full or part-time members. The more there are full-time members of the group, the greater the likelihood of its success. Groups organized with too many part-time members tend to implement and execute in a hit-or-miss fashion.

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Competitive Advantage

The proposing group should clearly set forth its competitive advantage. It should articulate how it will position itself to better serve or attract clients. This could include better depth and breadth than competitors, better lawyering (but be careful here, as this is difficult to measure), extraordinary client service, greater expertise in the market segment, better value (cost of services versus what is delivered), etc. Some indication of why the group can do better than competitors is necessary to ensure that the group has thoroughly evaluated its position, what it needs to do to rise in the ranks of competitors and ultimately become externally viable.

Investment Needs

Groups should set forth investment needs such as marketing dollars,

technology support, management assistance and the like. Although pro-forma budgets are seldom totally accurate, they are necessary to understand what sort of investment will be needed over the initial 12 to 24 months. A group that underestimates its investment needs may be unable to pursue market opportunities because of under-capitalization.

Internal Interdependencies

The group should set forth any interdependencies with other practice groups within the firm. Ideally, practice groups will share clients, knowledge, marketing efforts and the like. The group should set forth where it expects to exploit interdependencies and draw upon the resources of the other groups. Joint marketing efforts and sharing of professional resources should be outlined.

Summary

By rigorously following these guidelines at the outset, a firm can ensure that new practice groups have the best chance of attaining a high degree of performance that is sustainable over time. ♦

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