Chapter 3:
The plight of the practice group leader, Part 1 – Implementing practice initiatives

By Jack Bostelman, President of KM/JD Consulting LLC

Practice initiatives a leader can pursue

The paradox of practice group leadership

Jeff is the head of the Banking and Finance Group at an AmLaw 200 firm. It is the start of the year and he is filling out his partner objectives form. Unlike some, he takes it seriously, not so much for the firm but for himself. He uses the forms as an opportunity for personal career planning. It is his rare moment to think in the longer term.

Right now Jeff is reflecting about the irony of his position:

- As head, he is expected to lead his practice group to success – develop existing clients, attract new clients, improve the quality and productivity of the group's work, and steer a strategic direction, such as pursuing new kinds of work and bringing in laterals to expand subject matter or geographic coverage.
- For compensation purposes, though, he is measured by the same metrics as other partners in his group – mainly originations, realization rate on fees billed, and billable hours. The subjective component of the firm's compensation system is supposed to take his performance as leader of the group into account. But Jeff wonders how much weight his leadership work is actually given. He knows he is not given billable hours credit for any of it.
- As far as authority over his group members, he has none. He has no say in compensation of the partners in the group. He cannot force a partner to take on a particular matter or seek out a targeted prospective client. Jeff's leadership tools are limited to the force of his personality, the trust and respect he has of colleagues, and his persuasive skills.

"And people wonder why law firms are slow to change!" he muses to himself.

Still, Jeff likes running the group. He has a knack for it. He also recognizes that successfully running a practice group is one way to be invited to join the management committee.

Moving forward

Moving on with his thoughts, Jeff ponders the kinds of things he can do to lead the group's success, given the lack of actual authority he has. He thinks about these in three categories: seeking new business, sharing knowledge, and improving process.

Seek new business

- Coordinate internal intelligence about what is going on within key clients, so the group can be first to propose solutions to client problems or position itself as best able to address these clients' needs.
- Facilitate partner networking in the group about trends and future developments in their practice area that could represent opportunities for new work.
- Assist his partners in organizing their thinking about possible new clients to go after, and strategies for pursuing those clients.

Share knowledge

- Ensure that the group has solid continuing education programs, both for junior associates and for senior associates and partners.
- Find ways to get lawyers in the group, who are spread across several offices, to share what they know, work on matters together, and generally practice as a collective, rather than as silos.
- Assist the group in staying on top of current developments.

Improve process

- Get the group to think about and adopt process changes and tools, such as checklists, that will improve the consistency and quality of the group's work and help the group practice more efficiently.
- Push the group to apply more legal project management techniques, such as formal scoping with the client, tracking matter progress against phase defined for each matter type, and budgeting.

Specific initiatives

Jeff is tired merely from thinking about all these tasks. But he wills himself to shift gears and focuses on specific initiatives for the coming year.

Group meetings

Jeff holds a meeting of the entire practice group twice a year. They discuss new developments and the overall direction of the group. Attendance is mixed. He decides to step it up to bi-monthly. In addition to internal presenters, he will also try to arrange for a client to speak on a particular business topic relevant to the group, or for a vendor to make a presentation. These activities further his knowledge sharing goal.

To further his new business goal, Jeff decides he should add a short monthly meeting of partners in the group to focus on getting new work. His plan is to emphasize existing clients but also discuss opportunities that could lead to new clients.

Continuing education

Jeff did not have time to update his group's internal educational programs last year. Only a few sessions were held, with poor attendance. A new partner recently volunteered to revitalize that program and Jeff jumped at the opportunity. That partner plans to speak with counterparts in other transactional practice groups in the firm to share ideas about formats that may work better than the firm's traditional lecture style, such as case studies and break-out groups.

Given the pace of developments in his group's practice, Jeff believes there is room for an adult education program as well. He has arranged for a thoughtful mid-level partner to establish the curriculum, with the assistance of a promising senior associate.

Knowledge sharing

With the help of the firm's senior management, Jeff has engineered a more centralized way of staffing assignments in the group, which will force lawyers in different offices to work together on a matter. This will at least help with knowledge transfer from partners to associates. To break down pan-office barriers at the partner level, Jeff is hoping the monthly partner new business calls will help by at least allowing the partners in the various offices, many of whom are laterals, to become better acquainted.

Jeff also gets permission from management to engage a consultant to help his group improve the way they share knowledge. The consultant proposes a program not only to generate project ideas among the lawyers but also to assist in implementing the projects. The firm, however, approves a more limited budget that covers only developing the projects and not implementing them. Jeff felt that implementation assistance would have been nice to have but feels he can manage fine without it.

Process improvement

Jeff is not sure exactly what to do to improve productivity within the group, but he knows something needs to be done. The consultant being engaged for the knowledge sharing advice notes that some of the knowledge sharing ideas likely to be pursued will also help with productivity. For example, being able to identify similar matters will assist in staffing new matters with associates and partners who have experience with those types of matters. Developing checklists for common activities and types of agreements will prevent junior lawyers, and even some of the more senior ones, from wasting time figuring out what to do, doing unnecessary things, or doing the wrong things that will need to be re-done.

The consultant adds that clients are also interested in a more predictable and transparent process, not merely greater efficiency. This is where the techniques of legal project management can assist.

In speaking with the consultant, Jeff decides to pilot a new initiative on legal project management with a few partners who are under pressure from their clients. The consultant reinforces this decision, noting that the best incentive to get lawyers to change is pressure from clients. The consultant will also assist in those pilot initiatives.

The initial focus will be to develop a simple 10-code system for tracking time spent on phases of the group's matters. Budgets and periodic status reports can be based on these 10 phases. Another early goal is to become more disciplined at defining scope at the outset and formally agreeing on scope changes with the client. Improving communications generally with the client is also a goal, using a formal matrix listing who at the client needs to approve what, or be consulted or updated about what.

Recap

Although practice group leaders are typically not financially rewarded for effective group leadership, many pursue their roles seriously for other reasons, such as loyalty to the firm, ambitions to advance within the firm management structure, or a sense of personal satisfaction.

Even though practice group leaders have little to no direct authority over the partners in their group, there is much they can accomplish through coordination, demonstrating initiative, and applying good organizational skills, as long as they maintain the respect of their colleagues. These activities include coordinating and providing leadership in the group's efforts to get new business, assisting with knowledge-sharing efforts, and introducing process improvements.

Learning the magic – How to get lawyers to follow through on collaboration and productivity commitments

A practice group leader is frustrated

It is now one year later and Jeff, head of the Banking and Finance Group at an AmLaw 200 firm, has tried to improve the way his lawyers collaborate and share knowledge, yet many of his efforts have not succeeded.

Tools that would help

The list of tools that Jeff and the consultant devised, in consultation with a few other members of the group, included the following:

- **Checklists**, which help the more junior lawyers draft documents and perform certain tasks better and at an earlier stage in their careers, with less supervision and correction by senior lawyers. This improves leverage and morale. Checklists also assist senior lawyers when reviewing drafts prepared by junior lawyers or by other law firms. This improves quality and productivity.
- **A repository of precedents** for various types of documents, which speed the drafting and improve its quality, especially when used in conjunction with the new drafting checklists, yet avoids the excruciatingly slow process of creating standard forms.
- **A system for sharing current developments**, which improves consistency of the group's advice to clients and reduces errors.
- **A robust group intranet** with current content and an intuitive interface, which makes it more likely lawyers in the group will use the available resources, and improves the sense of community of the group, which is split across several offices.
- **A complete deal list**, including key parameters for each deal, which allows for finding matters similar to the one being worked on for purposes of:

- Finding precedents;
- Identifying lawyers with relevant experience for purposes of staffing or asking questions;
- Benchmarking fee estimates; and
- Preparing pitches and RFP responses.

The leader's approach has not worked

In the absence of consulting help, Jeff has tried to implement some of these projects by himself. These were all good ideas, but he has little to show for his efforts.

- **Checklists.** Jeff invited partners in the group to create checklists, even suggesting various lists that could be useful. No one responded.
- **Precedents.** A few years ago Jeff started identifying precedents and placing them in a special folder in the firm's document management system. Last year he emailed the group about this effort, and asked others to contribute. Few have even accessed the folder, and none have contributed. Jeff's own efforts have been sporadic, with progress moving inversely to the ebbs and flows of client work.
- **Current developments.** Jeff hosted bi-monthly meetings of the group, as planned. At those meetings he and a couple other partners bring current developments to the attention of the group on an ad hoc basis, but attendance has been poor, on the order of only 25 percent of the group, mostly junior associates. Jeff understands an advance agenda and regular substantive subjects will improve attendance, but he has not had time to develop advance agendas and line up speakers.
- **Group intranet.** Jeff has been frustrated by the chicken-and-egg problem in improving the group's intranet site. Lawyers will not visit the site unless the content is current and robust. Because no one uses the site, though, he cannot get lawyers to contribute new content.
- **Deal list.** Jeff prepared a questionnaire of deal information and emailed it to all partners in the group, asking that they ensure that an associate completed the questionnaire after completion of each matter. A handful of questionnaires were completed in the first few months, but now 12 months later virtually none are being submitted.

A fortuitous encounter

During a practice group leaders' planning meeting, Jeff discusses his frustrations with a member of the firm's executive committee (EC). The EC member encourages Jeff to speak again to the consultant who helped set up their program. After making the call Jeff is encouraged. The consultant explains why Jeff's approach has not worked. Fortunately Jeff is able to convince the firm to re-engage the consultant to address how Jeff can accomplish his goals for the group.

Why previous efforts failed

The consultant explains that lawyers are wired differently than other business people. They have a greater sense of urgency – attending to client work before turning to any internal work, rather than doing some of each. They also are naturally less collaborative, preferring to work in isolation. They are skeptical and autonomous, questioning authority and frequently concluding there is no need to perform internal tasks requested by others. They are change-averse, stemming from a fear of failing at something new.

For these reasons, a mere request to perform an internal task, even when made by the group's leader, will likely not trigger any action. Even for those who agree in the abstract, there will always be client work that comes first. Many others will not see or agree with the benefits of the effort and will simply not wish to comply. There is no embarrassment for failing to comply, because nobody agreed to the request in the first place. There is little sense of communal responsibility about the request, because it came unilaterally. Moreover, the group leader has no actual authority over the partners in the group, such as influence on their compensation or the matters they take on.

Administrative support

Finally, there is a lack of sophisticated administrative support, both for Jeff and the other members of the group. There is much that can be done by a person with legal training who understands the substance of the group's work. While active practitioners need to remain involved to contribute content to most of the projects, substantial portions of the projects can be undertaken or overseen by a dedicated support lawyer. Reducing as much as possible the dependence on practicing lawyers for the group's knowledge sharing initiatives will improve the success rate.

The new plan

The consultant explains a different approach for the knowledge sharing projects that he says has worked many times. The approach requires more management time from the group leader, and possibly an expenditure of money, but has a much greater chance of success.

Themes of the plan

The new plan employs tactics designed to overcome the lawyers' natural resistance:

- Obtain buy-in to the proposals and a sense of ownership among the lawyers in the group.
- Create a sense of personal mutual commitment with colleagues.
- Use small groups to enhance the sense of personal commitment.
- Eliminate administrative obstacles.
- Get the lawyers to understand the benefits and importance of the proposals.
- Lay out the steps in detail, so the effort does not seem overwhelming.
- Give recognition within the group to those who complete a project successfully.
- Create a sense of competition among the group's lawyers.
- Provide input along the way so the lawyers know someone is paying attention.
- Accept the fact that despite these tactics not all lawyers will fulfill their commitments.
- Show senior management's commitment and lead by example.
- Create a sense of urgency with deadlines and status reporting to the full group.
- Consider hiring a consultant with lawyer credentials to help manage the process for a fixed time period.

Steps in the new plan

The consultant recommends the following approach:

- Schedule a kick-off time for the initiative that avoids any seasonally busy time for the group.

- Have the group leader confer with management of the firm about the initiative. This serves the dual purpose of:
- Obtaining management's support and, if successful, recognition for the efforts of the group;
- Maintaining some pressure on the group leader to ensure the initiative succeeds, because of its visibility to management.
- Have the group leader hand pick a few partners to be part of a "steering committee". This creates a core of partners with buy-in, who will also become the leaders of several of the projects.
- Convene a formal meeting of the full group (partners and associates) to discuss the proposals and gather ideas for additional proposals. Discuss which ones should be tackled first. Introduce to the group the consultant and the targeted time frame for completion. Explain that help from a broad cross-section of the group will be sought.
- After the meeting, have the steering committee take on some projects and, based in part on participation at the meeting, select other partners and associates who will be asked to help.
- Involve the support lawyer, if there is one, as much as possible in all the initiatives, but do not take leadership of the projects away from partners. To avoid spreading the support lawyer too thin, also provide administrative and paralegal assistance where that would be helpful.
- If possible, convince management to allow billable hours credit for lawyers performing knowledge sharing the work. This sends a strong signal about the importance of the work to the firm.
- Establish a weekly check-in with a central person with authority, such as the group leader or the consultant, so that progress – or lack of progress – can be tracked. This creates a sense of accountability. Circulate the full status report to the steering committee and all participating teams each week, so each team can see where it stands vis-à-vis the others.
- Hold periodic meetings of the full group, at which work product of the teams is shared with the group, and comments from the group are solicited. This creates deadlines for completion, the potential for embarrassment for non-completion, and a sense of competition among the teams. It also reinforces buy-in and a sense of community.

- Have the group leader and other steering committee members provide comments on the teams' work product.
- For projects involving the IT department (such as the intranet redesign), engage the consultant as project manager in order to bridge the very different ways of doing business of the lawyers and the technology staff.
- After the first initiative is completed, develop a plan for future phases so the overall effort of periodic "investment" in collaboration and productivity tools becomes part of the group's culture.

Support lawyer

Jeff's group is large enough to justify hiring a lawyer to assist full-time with knowledge sharing projects. This time management is supportive. Jeff plans to hire a former associate from his group who knows the subject matter but is looking for more regular hours.

The consultant cautions, though, that the practicing lawyers will tend to push their own knowledge sharing responsibilities off on the support lawyer. Jeff will need to work with his group to resist this tendency, as trying to delegate too much of the effort to the support lawyer will undermine the projects. This is a common failure that causes many firms to blame the knowledge sharing program and support lawyer as being ineffective, rather than recognizing lack of partner leadership of the program as the cause. The lawyers must continue to provide the majority of the content for knowledge sharing projects. The practice group leader must remain visibly and actively involved to ensure that happens.

Recap

Jeff is encouraged by what he has heard. Although he did not understand why his previous efforts failed, he sees how the consultant's approach could make a difference. He decides to establish an initiative along the recommended lines. He realizes this will involve a lot of work on his part.

Jeff is mainly motivated by the benefits to his group if the effort succeeds. He also has a sense, though, that senior management will have to recognize the significance of his success, and will hold his group's effort out as an example to other practice groups. This will create further support within the firm for these kinds of initiatives, which Jeff believes are important to the firm's competitive position.

Chapter 4:

The plight of the practice group leaders, Part 2 – The costs and benefits of investing in practice group leaders

By Jack Bostelman, President of KM/JD Consulting LLC

While Jeff, head of the firm's Banking and Finance Group, has been moving forward with his latest plans for his individual practice group, Keith Mayfield, chairman of their AmLaw 200 firm, is reflecting on the presentation about compensating practice group leaders made by another AmLaw 200 chairman at a recent managing partners' round-table. The presenter advocated:

- Paying practice group leaders primarily based on the performance of their group;
- Requiring them to devote a majority of their time to non-billable management of the group; and
- Empowering them to influence compensation of the partners in their group.

"Wouldn't that be expensive?" Keith wonders. He is also unsure how to convince partners to accept that kind of power from their practice group leader.

The cost side

Keith decides to run some hypothetical costs through his firm's financial model, which is based on the basic economic model for hourly billing in a professional services firm, as described by David Maister in *Managing the Professional Service Firm*.[1] That model describes five drivers of a law firm's profits:

Profits per equity partner =

Realization rate (actual revenues ÷ standard rate revenues) ×
Average standard rate (standard rate revenues ÷ # hours billed) ×
Leverage (# timekeepers ÷ # equity partners) ×
Margin (revenues – expenses, as a percent of revenues) ×
Utilization (# hours billed ÷ # timekeepers)

A further description of the model may be found in the appendix to this chapter.

What the model shows

Keith's model shows that, based on an average practice group size of 40 lawyers, requiring each practice group leader to spend 50 percent of his or her otherwise billable time on practice group management work would reduce profits per equity partner by about 5 percent.

Next he considers what performance improvements would be required to offset that decline:

- 2 percent hourly rate increase that sticks;

  OR
- 25 percent reduction in write-offs, to 7.5 percent of associate time (from 10 percent) and to 3.8 percent of partner time (from 5 percent);

  OR
- 3.5 percent increase in number of associates (leverage increase);

  OR
- A combination of these three with more modest improvements in each: 1 percent hourly rate increase, 5 percent reduction in write-offs, and 1 percent increase in number of associates.

If practice group performance can truly improve, those targets seem readily achievable, he concludes.[2]

Why do it?

Keith next considers the reasons for making this kind of compensation change.

A well-managed group will perform better

The law firm chairman who made the presentation cited David Maister for the view that the practice group leader's role should be made substantial:

> *"A professional practice is like a sports team, filled with talented athletes who will only win if they truly fulfill their potential. Professionals, like athletes, when left to their own devices, don't accomplish as much as they do when supported by a good coach.…*
> *The manager's role is to be the reminder, the coach, and the supporter as individuals and teams struggle to balance today's pressures with longer-term accomplishments."*[3]

The group leader needs time to manage

Practice group leaders have the following demands on their time:

- Establishing and obtaining group consensus for the group's strategy and key implementation steps, consistent with the firm's overall strategy;
- Coordinating marketing and client activities among partners in the group;
- Making the rounds with the group's partners periodically to see how they are doing and coach them;
- Getting more deeply involved in the challenging prospects and matters;
- Overseeing the group's lateral hiring;
- Organizing training and mentoring activities;
- Overseeing productivity initiatives, such as legal project management and knowledge sharing;
- Overseeing staffing of matters; and
- Conducting performance appraisals.

Whether the time commitment for this work is 50 percent or 25 percent, it should be significant.

The group leader should not be penalized for managing

The group leader's compensation should be aligned with the best interests of the firm:

> *"Group leaders should be measured and appraised predominantly by how well their group has done, with their own personal statistics being deemed a lesser performance target. Group leaders should still be expected to practice…, but personal accomplishments should no longer be the primary element in their appraisal."*[4]

Management sends a contradictory message when it asks a practice group leader to be responsible for all the above activities but compensates the leader primarily based on the same criteria as partners not carrying that extra responsibility, such as originations, billings, and billable hours.

Can the leader pay his keep?

As noted above, only modest improvements are required to offset the billable hours shifted to practice leadership work. For example, the following improvements should more than offset the loss of the practice group leader's billable hours:

- Producing more work at less cost (through better training and a leadership push to develop checklists and other practice tools);
- Success in marketing (through a more strategic focus, better coordination, and pro-active coaching);
- Improvements in the rates that can be charged for work (through more strategic marketing to get higher value assignments, coupled with up-training of partners and associates); and
- Small increases in leverage (through improved training, checklists, and other practice tools, and a better staffing process).

In fact, profits per partner would *increase* 10 percent if the following were achieved, even taking into account the loss of the practice group leaders' billable hours:

- 2 percent hourly rate increase; AND

- 25 percent reduction in write-offs, to 7.5 percent of associate time (from 10 percent) and to 3.8 percent of partner time (from 5 percent); AND
- 3.5 percent increase in number of associates (leverage increase).

The problem of getting work

Lack of work has been a problem for many firms, reflecting the fact that the demand for law firm services is no longer growing in many areas. The challenge is increasing these firms' share of a static or shrinking market. Developing an overall firm strategy to differentiate is the starting point in addressing this challenge. The components of that strategy will typically involve emphasizing specific practice groups. That, in turn, requires each such practice group, through the stewardship of its leader, to analyze its key competitive factors, such as price, type of work or industry focus, and to devise a group-level plan to address those factors, consistent with the firm's overall strategy.

It is difficult to imagine a practice group leader with a full-time client load being able to devote sufficient time to that kind of effort, or having the incentive to do so. After developing a firm wide strategy, incentivizing and empowering the practice group leaders is the next step in the firm's being able to execute on the practice group initiatives contemplated by that strategy in order to improve its market share.

The need to empower the leader

For practice group leaders to succeed, they must be able to persuade the other partners in the group to follow the leader's advice and respond constructively to the leader's suggestions. It would be unfair to tie leaders' compensation to performance of the group without giving the leaders the tools to accomplish their mission. Responsibility without authority is a classic failure scenario for a manager.

For this reason, David Maister recommends that practice group leaders be required to contribute formal input to the firm's performance evaluation system regarding all members of the practice group, including the other partners. Leaders should not be the sole source of performance evaluations, though.

How to do it?

It is important to obtain buy-in from the partners in the practice group for:

- **The choice of practice group leader.** The leader should be proposed by firm management based on the leader's perceived skills to do the job of managing the group, not as reward for rainmaking or other successes. Confidential interviews with partners regarding the firm management's choice of leader would be one way to obtain buy-in. A formal voting system is best avoided.
- **The requirement that leaders spend 25–50 percent of their billable time on practice group management.** Partners may naturally be suspicious of a leader who is not carrying a full client load, so it is important that they accept this requirement.
- **The fact that the majority of the leader's compensation will be determined by performance of the group as a whole.** Compensation does not increase solely by reason of having the job of managing, but rather only if group performance improves. The metrics and criteria for determining the group-driven portion of the leader's compensation should be laid out clearly to the group's partners. Transparency will aid in convincing them the leader's compensation is in fact tied to the group's success. An anonymous feedback system from the group's partners regarding the leader's performance each year may also be considered.
- **The leader's input into group members' performance evaluations.** The role of the practice group leader in providing input to the compensation committee regarding partners in the group should be described transparently to the partners.

Changing to the new practice group leadership system should be accomplished through a series of meetings with the partners of the firm as a whole, as well as with individual practice groups. Being able to have their questions and concerns addressed will ease some of the partners' anxiety and assist with buy-in. As noted, confidential partner interviews, though time-consuming, may help in confirming support for the selected leaders. Bringing in an outside consultant to explain the rationale for the new system could also be considered.

In some situations, it may be desirable to pilot the new approach with a few practice groups. This has the advantages of taking less time to implement, putting less of the firm at risk if the effort does not succeed, and creating a persuasive success example when it does. The pilot approach has the disadvantage of delaying its benefits for the firm as a whole.

Recap

Requiring practice group leaders to devote 50 percent of their time to managing the group, and compensating them primarily based on performance of the group, can result in improvements to the group's financial performance that more than offset the leaders' lost billings.

Appendix: The law firm economic model (hourly billing)

In professional service firms that bill by the hour, the following formula with five drivers can be used to compute profits per equity partner.

Profits per equity partner =

Realization rate (actual revenues ÷ standard rate revenues) ×
Average standard rate (standard rate revenues ÷ # hours billed) ×
Leverage (# timekeepers ÷ # equity partners) ×
Margin (revenues – expenses, as a percent of revenues) ×
Utilization (# hours billed ÷ # timekeepers)

Timekeepers consist of partners, of counsel, associates, paralegals, and certain other specialists who bill by the hour, with partners (equity and non-equity) and associates responsible for the great majority of time billed. In business terms, these five drivers can be thought of as follows:

- **Realization rate** is the percentage of standard billing rates that is actually collected. (Standard rate revenues in the formula above are the revenues that would have been earned if the hours of the various timekeepers had been billed at the firm's standard hourly rates.) Realization rate reflects agreed-upon discounts from standard rates, write-downs (fee reductions taken before sending the bill), and write-offs (fee reductions after sending the bill);
- **Average standard rate** represents the blended hourly rate for the firm that would have been realized if billed hours were collected at standard rates. Average standard rate multiplied by realization rate equals the firm's actual average hourly rate;
- **Leverage** is the ratio of fee-earners to equity owners – conceptually the associate/equity partner ratio. Mathematically, leverage is 1 plus the associate/equity partner ratio;
- **Margin** is the traditional profit margin concept – the percentage of revenues that become profit after payment of related expenses; and

- **Utilization** is also sometimes referred to as "productivity". It is the average number of hours billed by each timekeeper during the period being considered.

In practice, almost any action may affect more than one of these drivers, often in different directions:

- **Rate increase.** For example, if the firm raises standard rates, average standard rate will increase but realization rate is also likely to drop, offsetting some of the profit improvement, because the rate increases will not completely stick.
- **Higher associate billable hours.** As another example, if the firm increases billable hour targets for associates, utilization will increase because most associates will seek to meet the new targets. However, efficiency may decrease as these lawyers become fatigued, which will likely cause lower realization rates as clients resist higher fees for the same work. In addition, lower morale may result in associate departures, which will reduce leverage. The net effect on profit will depend on the extent to which lower realization rates and lower leverage offset the effect of higher utilization.

References

1. Maister, D.H., *Managing the Professional Service Firm*, Free Press, 1993.
2. Model assumptions: The firm has 600 lawyers, 2.5 associates per equity partner, no non-equity partners, and a 40% profit margin. Partners bill at an average rate of $700/hour, associates at $300/hour. Partners bill an average of 1,400 hours annually; associates 1,800 hours. The model's conclusions, however, are *not* very sensitive to changes in size of firm, leverage, profit margin, average hourly rate per lawyer, average billable hours per lawyer, or the number of non-equity partners. For example, a firm with a size of 300 lawyers, a 35% profit margin, or leverage of 1:1 would experience about the same 5% decline in profits per partner from the proposed shift of practice group leader billable time to management. Instead, it is increases in the *ratios* of assumed partner/associate hourly rates or partner/associate billable hours that will somewhat increase the cost of the management shift.
3. Maister *Managing the Professional Service Firm,* at 207.
4. McKenna, P.J. and Maister, D.H. *First Among Equals – How to Manage a Group of Professionals,* Free Press, 2002, at 19.