



Ward Bower

Lateral Growth, Strategic Planning: Top Law Firm Management Tools

By Ward Bower

Bain & Co.'s annual global survey of the top 25 management techniques employed in major corporations is reported widely in the business press. Consistently, year in and year out, strategic planning is rated the top management technique utilized in the corporate world.

In mid-2005 Altman Weil conducted a survey of chairs and managing partners of the 200 largest US firms (as measured by revenues). Participants were asked to identify which of 24 management techniques they had used, and to rate their experience with those they had employed—whether they deemed them to be very successful, successful, neutral, somewhat, or not at all successful. Many of the techniques are included in the Bain survey, but some are unique to law firms, and other techniques included in the Bain study are not included, as they do not apply to law firms or likely would not be recognized by them (e.g., supply chain management, activity-based management, economic valued-added analysis, price optimization models, open-market innovation, mass customization, radio frequency identification). The results of our survey are discussed in the remainder of this article.

Most Popular

The most popular (most frequently used) management techniques identified by law firm respondents were alternative pricing, lateral growth and strategic planning. Almost all firms had employed these techniques. Table 1 shows the top five management techniques and the percentage of firms reporting their utilization.

Table 1: Most Popular Major Law Firm Management Techniques

1.	Alternative Pricing	100%
2.	Lateral Growth	100%
3.	Strategic Planning	97%
4.	Diversity	92%
5. (tie)	Core Competencies	86%
5. (tie)	Benchmarking/Best Practices	86%

Least Popular

The least frequently employed management techniques appear in Table 2.

Table 2: Least Popular Major Law Firm Management Techniques

1.	Offshoring	3%
2.	Six Sigma	5%
3.	Personality/Psychological Testing	15%
4.	Business Process Reengineering	19%
5.	360° Reviews	21%

Highest Rated Experience – Most Successful

Participants were asked to rate their experience in the success of techniques employed. The most successfully employed techniques, as defined by highest percentage of the users rating their experience either “very successful” or “successful” appear in Table 3.

Table 3: Highest Rated Experience (percent “very successful” or “successful”)

1.	Merger/Acquisition	89%
2.	Lateral Growth	87%
3.	Strategic Planning	85%
4.	Benchmarking/Best Practices	83%
5.	Balanced Scorecard	80%

Least Successful

Conversely, those techniques rated least successful by those employing them appear in Table 4.

Table 4: Least Highly Rated Experience (percent “very successful” or “successful”)

1.	Offshoring	0%
2.	Strategic Alliance/Joint Venture/Networks	40%
3.	Knowledge Management	42%
4.	Competitive Intelligence	50%
5.	CRM	57%

At this point, based upon the survey, it is impossible to determine whether the success of firms in implementation of management techniques is due to the applicability of those techniques to law practice or, alternatively, the effectiveness of individual firms in implementation of them. For example, the 61% of firms attempting strategic alliances/affiliations/joint ventures/networks that rated their experience

either “neutral” (30%), “somewhat successful” (23%), or “not at all successful” (7%) might have either affiliated with the wrong partners or networks, affiliated with the right ones but not availed themselves of the appropriate opportunities, or those concepts may simply not apply to law firms. After all, almost 40% of firms employing those techniques rated them either “successful” (30%) or “very successful” (9%).

Most Effective Management Techniques

Table 5 sets forth the most effective management techniques, computed as a function of their popularity (frequency of employment) and assessment of success (“very successful,” or “successful”).

Rank	Technique (Frequency x Success) =	Effectiveness
1.	Lateral Growth (100% x 86.9%) =	87%
2.	Strategic Planning (96.8% x 85%) =	82%
3.	Benchmarking/Best Practices (85.5% x 83%) =	71%
4.	Core Competencies (85.5% x 75.5%) =	65%
5.	Partnering (85.2% x 71.1%) =	61%

Effectiveness ratings reflect the percentage of all responding firms that have tried the individual technique and found it to be either very successful or successful.

Least Effective

Conversely, the least effective management techniques are shown in Table 6.

Rank	Technique (Frequency x Success) =	Effectiveness
1.	Offshoring (3.3% x 0) =	0%
2.	Six Sigma (5.1% x 66.6%) =	3%
3.	Personality/Psychological Testing (14.8% x 66.6%) =	9%
4.	Business Process Reengineering (19.4% x 66.7%) =	12%
5.	360° Reviews (21.3% x 61.5%) =	13%

The Complete Chart

The complete chart depicting popularity/frequency, experience/success and effectiveness appears as Table 7.

		Popularity (Frequency)	Experience (Successful or “Very”)	Effectiveness
1.	Alternative Pricing	100.0%	58.7%	58.7
2.	Balanced Scorecard	24.2%	80.0%	19.4
3.	Benchmarking/Best Practices	85.5%	83.0%	71.0
4.	Business Process Reengineering	19.4%	66.7%	12.9
5.	Change Management	62.9%	76.9%	48.4
6.	Client Surveys	74.6%	78.7%	58.7
7.	CRM	66.7%	57.1%	38.1
8.	Competitive Intelligence	38.1%	50.0%	19.1
9.	Core Competencies	85.5%	75.5%	64.6
10.	Diversity	92.1%	59.7%	55.0
11.	Knowledge Management	70.5%	41.9%	29.5
12.	Lateral Growth	100.0%	86.9%	86.9
13.	Market Segmentation	68.9%	69.1%	47.6
14.	Merger/Acquisition	63.3%	89.4%	56.6
15.	Offshoring	3.3%	0.0%	0.0
16.	Outsourcing	62.3%	71.0%	44.2
17.	Partnering	85.2%	71.1%	60.6
18.	Personality/Psychological Testing	14.8%	66.6%	9.9
19.	Scenario Planning	26.7%	75.0%	20.0
20.	Six Sigma	5.1%	66.6%	3.4
21.	Strategic Alliance/Joint Venture/Network	70.5%	39.5%	27.8
22.	Strategic Planning	96.8%	85.0%	82.3
23.	360° Reviews	21.3%	61.5%	13.1
24.	TQM	23.0%	71.4%	16.4

Conclusion

There are parallels between major law firm experience and that of major corporations with respect to certain management techniques (strategic planning, for example, being one of the top-rated management tools in both environments). Likewise, there are differences.

Six techniques appear in the top 10 of *both* surveys, in terms of usage/popularity (see Table 8):

Law firms are actually significantly greater users of strategic planning, benchmarking/best practices and core competencies than corporations.

Corporations are, on the other hand, much more likely to use the techniques listed in Table 9 on page 6.

		Bain Corporate Usage Rank/%	AW Law Firm Frequency Rank/%
1.	Strategic Planning	1/79%	3/97%
2.	Benchmarking/Best Practices	3/73%	5/86%
3.	Customer (Market) Segmentation	5/72%	10/69%
4.	Core Competencies	7/65%	5/86%
5.	Strategic Alliances (Joint Ventures/Networks)	8/63%	9/71%
6.	Growth Strategies (Lateral Growth/Mergers)	9/62%	1/100% (laterals) 12/63% (mergers)

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Lateral Growth ... continued from page 5

Predictably, there would be a time lag between the conceptualization and employment of management tools or techniques in business and industry and their subsequent adoption in major law firms. Some have been adopted or attempted by very few, if any, firms (Table 2), and some

of those deemed successful by no firms (off shoring, Table 4). It is also predictable that as more firms attempt to use some of the more newly developed and currently least utilized techniques, some will get it right and we will see those techniques move up the table in terms of frequency, experience and effectiveness.

Altman Weil and its London alliance partner, Jomati Ltd. plan to repeat this study next year on an even broader geographic scale to further assess changes in the marketplace. Complete survey results, including definitions of individual management techniques and tabulated responses, appear on the Altman Weil website at www.altmanweil.com/LFMTSurvey. ♦

Table 9: Techniques Corporations Are More Likely to Use

		Bain Corporate Usage (%)	AW Law Firm Frequency (%)	Difference
1.	Business Process Reengineering	61%	19%	-42%
2.	TQM	61%	23%	-38%
3.	Six Sigma	34%	5%	-31%
4.	Offshoring	33%	3%	-30%
5.	Scenario Planning	54%	27%	-27%
6.	Balanced Scorecard	57%	24%	-23%

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