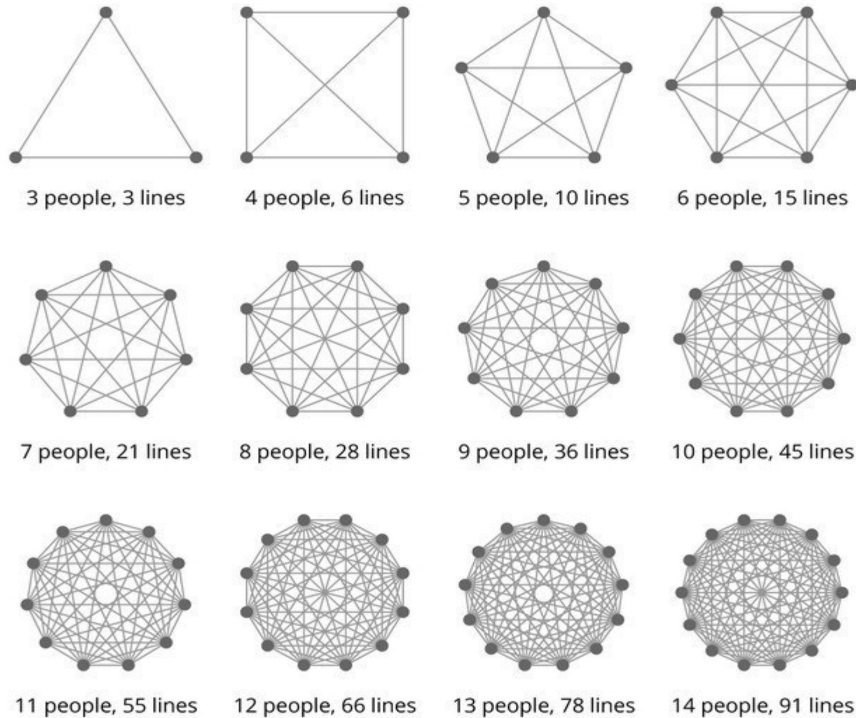
Big Industry Groups Suck!



In a recent webinar on industry group best practices, the panelists were asked whether there was an ideal size for their groups. "*How big do you allow an industry sector group to become?*" asked the moderator. According to the first panelist: "***I would say, our membership is unlimited . . . the more the merrier***."

Unfortunately, bigger does not always mean better, and nowhere is that more evident than when it comes to measuring practice or industry group effectiveness. In the process of David Maister and my writing *First Among Equals*, we devoted an entire chapter to our observations from working with and interviewing the leaders of high performing practice and industry groups – across professions. In it we reported emphatically that one of the clearest ways to ensure failure is to allow membership to grow beyond a small, solid working group.

When it comes to this particular structural issue, many firms seem to want to demonstrate their seriousness by attaching every single partner to not just one, but to a number of different industry units. They seek to make as a member of each group every possible individual who has some remote interest in the particular area. Often I think this is done to placate partners who fear somehow being disqualified should they ever originate a client in some particular industry that they are not shown to be a member of.

I have seen groups in some larger firms with thirty, forty, and even in excess of fifty partners, even though everyone should have recognized instinctively that industry or practice groups that large cannot be productive. I remember some years back being retained to help a Technology

Group develop their strategic plan. Following a briefing call, I arrived for a half-day workshop with eleven partners – not too large a group. Shortly after getting started I realized that three of these partners did most of their work with computer software developers, two with cable television, another three with consumer goods companies with the remaining partners choosing to be, in their words: "*tech generalists*." What I quickly learned from that experience is that you cannot craft a team, or a strategy, with professionals who serve different kinds of clients. And then we wonder why, when we combine groups of unrelated interests, you see meetings with group members tuning out, or on their phones texting, because . . . well, "*you guys are not really talking about the kinds of clients that I work with*."

In an effort to avoid offending anyone, group leaders continue to add people to their groups. Firms seem to allow leaders to build large groups, perhaps on the notion by these leaders that if they have a big group with a big budget, then their role as group leader must be important. One of the lessons I learned when working on a project with Tom Peters, after he finished writing *In Search of Excellence* and had left McKinsey, was his telling me how "*when we add just one more member to any group, we think the communication challenges increase arithmetically. They don't! They increase exponentially*." (please do take a close look at the diagram at the beginning of this article).

The overall result is groups that have grown in size but decreased in effectiveness, with group members feeling no real sense of commitment or personal investment beyond having their names attached to some group on the firm's website and finding that they are spending an increasing amount of non-billable time in meetings. In fact, I will never forget the comment of one Manhattan-based senior associate who confided in me that in his firm if he joined enough different groups and attended their various luncheon meetings, he "*should never have to buy groceries again*!" (I expect that now working from home has added to some attorney food bills.) And I invite you to do the math on what the costs or lost productivity amount to in having dozens of professionals meeting (even virtually) in groups far too large to get anything substantive done, other than hear themselves talk.

At the end of the day it becomes a high price to pay for trying to make sure that no one is feeling left out.

WHY LARGE GROUPS SUCK

Here's a half-dozen important reasons why we need to strive for smaller groups:

1. The group becomes dominated by a few personalities.

I've repeatedly observed that the larger your group, the more likely it is that a few power partners or strong personalities may dominate your group's agenda, meeting discussions, and the decision-making process. When teams are large, ego clashes between members become inevitable. There may be one individual who is constantly used to having his or her way, or another individual who keeps shifting their group projects to some junior member. Meetings

become an utter waste of time – and any important decisions are made before and after meetings, by the four or five most influential members.

2. Personal support decreases as group size increases.

Research conducted by UC San Diego professor Jennifer Mueller (who has specialized in studying group size) proffers a principle she introduced called "relational loss." This concept describes individuals feeling as though the amount of support they get from others decreases as the size of the team increases. This is a very common feeling inside many professional organizations.

3. Not knowing who your real worker-bees are.

One of the primary roadblocks to having a high performing team is *lack of clarity regarding who is on the team*. The late Harvard researcher, J. Richard Hackman points out that firm leadership is often responsible for these fuzzy boundaries related to group membership. His solution: "*putting together a real team involves some ruthless decisions about membership; not everyone who wants to be on the team should be included, and some individuals should be forced off*." And, how can one single group leader possibly be responsible for personal coaching, providing support, and evaluating professionals within a large group? It's just not possible given the amount of time (average 300 to 500 non-billable hours) that most firms allow for leading groups.

4. Individual opportunity to effectively participate decreases.

While a larger industry or practice group may be viewed as the means to bring more minds to bear on the growth and development of a practice, it soon becomes evident that not all of those minds actually make any significant contribution. In short, we can tend to slack off in a group when (a) we think other colleagues will do the hard work, (b) we know we will not be held accountable for the outcome, (c) we suspect our effort is not truly necessary, and/or (d) we anticipate that our time and energy will not be rewarded.

5. Effective communication becomes difficult.

In large groups many may choose to remain passive, hesitant to voice their ideas and opinions for fear of criticism, unwilling to disagree or give each other honest feedback, and not fully confident that they can depend on each other. Think of the last time you were at a dinner with a group of 12 or more friends. It is almost impossible to have a satisfying conversation that engages each member all at once. Typically, the group breaks into a series of smaller conversations or a few people do all the talking and the others say little or nothing.

6. Members get "lost in the crowd."

"Free floating" is a term Maister and I used to describe the reduction in individual effort we observed and heard about as any group grew. This phenomenon occurs because with the more people that become involved in any group, the less responsible any of them feels for the group's performance. We observed that the more people in a group, the less commitment any shows to

following through on individual projects, and the less buy-in any individual has for the group's success or failure, since they sense that there are other professionals around to pick up the slack. However, when a professional believes that their individual performance is important to the group's cumulative efforts, and that their progress is visible to their peers, it becomes clear that they are more likely to be concerned for how their peers view them. As a result, professionals are more likely to produce when active in smaller groups, than they are on a larger team, where they can easily get "lost in the crowd."

WHAT IS THE OPTIMAL GROUP SIZE?

Groups of different sizes can behave in vastly different ways. Groups that are too small can risk having a skills gap in some important area, while those that are too large risk a loss of productivity and cohesiveness. If you don't manage to strike the balance properly with regards to the size of your group, you could well end up with a lot of preventable problems.

In early 2002, Jeff Bezos decided that to reduce communication overhead and improve productivity, ALL of Amazon would be re-organized into so-called "**two-pizza teams**" — squads small enough that just two pizzas would be enough to fully feed them when working late. This suggests that they should top out at about 8 members. The main advantage this conferred upon Amazon was the ability to spin up new teams faster, giving Amazon the power to scale more cheaply, explore new ideas easily, and ultimately ship more products to customers. For Bezos, it was his belief in building a structure that could generate the maximum amount of innovation with small, autonomous teams finding new ideas.

For the efficacy of small groups many refer to the now famous Ringelmann Effect. Max Ringelmann was a French engineer who had a group of people engage in a game of tug of war. First they competed one-on-one, and then on teams. What he found: Twice as many people did not lead to twice as much effort. In fact, as the number of team members increased, individual contributions tended to decline. At first, Ringelmann speculated that more participants in a group effort made coordination more challenging. But he eventually concluded that people in large groups fail to exert exceptional effort because they are saving their energy for work that will lead to individual recognition.

Then there is a study conducted by three professors from UCLA which involves building stuff with LEGO. In their experiment they used LEGO bricks and two teams made of 2 and 4 people. The goal was to see which side could put together a specific LEGO structure faster and better. The team consisting of 2 people accomplished the task in 36 minutes, whereas the group of 4 people finished the task in 56 minutes. The reason now seems obvious — the more people you have on the team, the more time it takes to align them on the same page of your thinking process.

But is there an optimal group size? Wharton management professor Jennifer Mueller who has conducted extensive studies concludes that it depends on the task. "*If you have a group of janitors cleaning a stadium, there is no limit to that team; 30 will clean faster than five*." But, says Mueller, if you are dealing with coordination tasks and motivational issues, and you ask, 'What is your group size and what is optimal?' that correlates to a team of six. "*Above and*

beyond five, and you begin to see diminishing motivation," says Mueller. "*After the fifth person, you look for cliques. And the number of people who speak at any one time? That's harder to manage in a group of five or more*."

Meanwhile, according to research published by Harvard authors, Marcia W. Blenko, Michael C. Mankins, and Paul Rogers, once you've got 7 people in a group, each additional member reduces decision effectiveness by 10%. And, unsurprisingly, a group of 17 or more rarely makes a decision . . . other than when to take a lunch break.

While I have yet to find any empirical evidence supporting larger groups, some may advance the argument with two words: "*It depends . . .*" And while the optimal size of groups may indeed depend upon the specific practice area or industry sector in question and the culture of your firm, empirical research still strongly suggests that seven to twelve professionals is the **maximum** size for effectiveness. There is simply no getting around the fact that small groups work better.

My advice has always been to ramp up your group's productivity rather than its size.

WHAT TO DO

Here are some options for you to consider:

1. Downsize any new groups being formed.

When new groups are formed, insist that they include less than a dozen professionals. When groups form around a common strategy, we naturally pay attention to the skillsets we'll need to achieve that purpose. Evaluating potential team members on the basis of how they will each contribute gets us closer to finding the right makeup and sizing.

2. Use a "Core / Resource member" approach.

Invite partners to self-select the ONE "Core" group that they are prepared to invest their non-billable time into doing substantive work in, to help the group achieve its market aspirations. Core members should consist of only those lawyers whose full-time practice efforts are involved in the specialized area. Core members meet regularly, makes decisions on the direction for the unit, help determine the group's business development efforts, and commit personal time to chosen projects.

Invite partners to also select as many other groups as they wish, to be included as "Resource" members in. Resource members are invited to attend and participate in selective meetings, receive the minutes of all group meetings, may be asked to participate in doing some project on behalf of the groups as the need may arise – but like the darting seagull, the resource member drops their load and departs – and is NOT required to invest any time whatsoever.

3. Create market-focused splinter groups.

An excellent tactic may be to break up your larger groups into smaller sub-groups. Some of my client firms have come to label these their Pods; their SBUs (Strategic Business Units); or my favorite: FOCUS Teams (**F**inding **O**pportunities and **C**lients in **U**nique **S**ectors). To create splinters, grow an existing group to eight to ten members and then bud into two or three teams of three or four members.

Using this model, your Litigation Practice Group could be divided into the securities litigation sub-group; the product liability sub-group; the professional malpractice sub-group; the climate change litigation sub-group; and so forth.

Your Healthcare Industry Group could be divided into the physician practices sub-group; the hospital systems and management sub-group; the clinical labs and testing sub-group; the behavioral healthcare subgroup; and so forth. These smaller groups then provide a real opportunity for members to utilize their expertise and have an impact on the outcome.

The lesson here is that if you have big groups that are not blowing the lights out, where members don't care much about each other and are not collaborating, maybe it's time to try some subtraction or division. Reorganize existing groups into smaller units. It may not be easy to remove some lawyers from some groups, but the long-term impacts on productivity makes this effort critical.

4. Determine a price of membership

Can you think of any worthwhile group that you would lineup to join, that does NOT have some kind of formal membership fee required, in order to belong. So too is it with the highest performing industry groups.

And the specific membership fee is usually set by firm leadership in writing (set out as Expectations of Membership) and is consistent across the firm with both practice and industry group memberships. These formal expectations consists of you making a "personal commitment" to engage in activities like: agreeing to attend all industry group meetings; devoting a minimum number of non-billable (investment) hours into working on specific group projects; agreeing to provide uncompensated assistance to helping advance the career aspirations of fellow members; agreeing to be coached; and understanding that the group leader will have input into determining your compensation.

Now in firms with a matrix structure, commonly comprised of both practice groups (e.g. Litigation) and industry groups (e.g. Healthcare), a partner may choose to join one, and only one of each as a Core member. But in order to do that the partner must commit to fulfilling a personal commitment to both. So, for example, if the minimum number of non-billable (investment) hours is 60 per year (not including meetings which is mandatory) and the partner chooses to be a member of one (maximum) practice group and one (maximum) industry group, that member is agreeing to devote a minimum of 120 hours per year to those efforts.

5. Codify how everyone will work together.

I believe one of the important activities that professionals forget to do when they create a working group — is to invest time, upfront, to structure how they will work together. You need to get to know each other, share what it is that you specifically want to get out of being a member of this industry group, and perhaps most importantly, determine some sensible guidelines by which you will all agree to behave, operate and collaborate together. Who will do what? What are the accountability measures? How will members be informed when they are, or are not meeting expectations?

I've observed that the best performing groups take the time to establish, in writing, ground rules or group agreements for how they will operate. Describe what is expected — rather than what is discouraged — while being clear that we are all working toward achieving a *shared* goal. I was present at the meeting in London of a UK firm where the group invested a few hours developing their "Code of Conduct" as they labelled it, and then had every member of the group sign it. There is something magical in having lawyers sign documents!

6. Seek regular progress reports.

Periodically ask group members to report on their contributions and to recognize the contributions of others. Recognize team members who honor their commitments and offer support to the ones who are falling short of performance deadlines or targets. Underperformers may not be intentionally shirking their responsibilities; they may be simply ill-equipped to deliver what is expected. Don't just praise the team. The promise of individual recognition creates greater incentives for members to be full contributors.

NOW, I'm curious to hear your experience. How big is your group? Do you experience issues with team dynamic and team size in your firm? I welcome hearing from you and will keep all communiques confidential.

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