



How to Make Industry Specialization Work

Many firms these days are focused, rightly, on being client facing and on differentiating themselves from competitors. One way firms seek to appeal to clients is by focusing on key industry segments. On the surface an industry-focused approach makes sense for firms and for clients. It sends the message that the firm understands the underlying business of their clients, is following developments in the industry that might affect their clients, and that clients will get the benefit of all the firm's resources with experience in industry-specific matters. The firm gets the benefit of cross-practice collaboration, the potential for expanding and solidifying client relationships, and a distinctive market profile. Unfortunately, the reality is a little different and few firms have really achieved distinction along industry lines.

So where have industry strategies fallen short of expectations? We have observed a few areas where an industry focus has produced disappointing results:

- The industry selected does not have particularly unique legal needs and clients believe that their needs can be met by many law firms. Manufacturing is an industry where this can happen because many firms represent at least a few clients in the manufacturing business and the industry itself is quite broad.
- The firm selects an industry for focus where it has limited experience and in which there are significant competitors. The technology sector is one area with well-established competitors and a firm with less experience can find it difficult to compete.
- The industry sector chosen is hypercompetitive and while the firm may represent a major player in the industry, they are precluded from representing most other major players due to business conflicts or sensitivities. This becomes particularly challenging when a firm is aiming to provide a range of services and act as a trusted advisor.
- The firm lists so many industry sectors that there is no sense of specialization. We recently looked at the stated industry focus of a set of leading firms and they listed anywhere from 12 to 18 industry specialties. This lack of specialization extends to the lawyers—in most of those firms partners were affiliated with at least two industries and in some as many as six.
- The firm focuses on the sector as a marketing initiative and does not put resources into delivering additional value to clients in the sector. This is the most common approach to industry focus that we see from firms and while certainly a focused marketing approach can be successful, it doesn't, in the eyes of clients, deliver differentiated service.
- The lawyer charged with responsibility for the industry group has limited authority, few resources, and an unclear mandate. Typically, firm management is organized along practice lines and office lines, and while industries can be a part of the management matrix most firms have not got that balance right quite yet.

Despite these implementation challenges, we are confident that an industry focused strategy can work and can be a differentiator for firms. Some firms are doing it well. Not surprisingly, many of the solutions are the converse of the problems listed above.

First, it works best if you pick wisely and selectively. Instead of specializing in every industry in which the firm has clients, pick three to four where the firm has some competitive advantage. That could be by geography, if you are located in key life sciences centers for example. Other points of leverage could be long time experience in particular industries, or representation of two to three marquee clients in an industry, or a range of practices that have served clients in an industry. It is also important to recognize the difference between an industry focus and a particular area of expertise. Products liability work for the pharmaceutical industry is certainly a valuable and distinctive expertise, and may result in significant revenue, but it does not necessarily mean the firm has a pharmaceutical industry focus. An industry focus generally implies a broader-based set of practices that work together on a range of legal problems for clients.

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Some firms truly are focused to the point where they won't do work for clients outside their areas of industry specialty. There are some technology-focused firms who will turn down clients who aren't in that sector or have some connection to that sector. While this is a more extreme step than most general practice firms are willing to or can take, there is no question that those truly focused firms are known as go to firms in their sector.

Second, make sure you structure the industry group to deliver value to clients. Think about how you are going to harness and promote the range of the firm's experience in the industry. How will lawyers work together across practices and offices? What investments will the firm make that will benefit clients? Some firms, for example, will do legislative briefings on issues relevant to the industry, or webinars on topics of interest, or in-house CLE sessions that are specific to the industry. Others invest in hiring lawyers, and sometimes non-lawyers, who have worked in-house in the industry. Some firms develop pricing models that are distinct to the industry. This is common in the technology industry where a menu of prices for services required by early stage companies is not uncommon. Once the firm has the distinctive delivery of service figured out, then the marketing aspects will come more naturally.

Finally, get the management matrix right and empower the industry leaders to do more than hold meetings. Industry leaders need to be able to have a role, along with practice group leaders, in setting the personal plans of members of their team so that lawyers are accountable for doing what is required for the industry group. They need firm resources dedicated to the group, which might be technology or marketing resources. They need to be involved in setting policies that might affect the group, such as conflict policies. They need to be involved in growth strategies and lateral hiring decisions. They need to be able to provide performance feedback on the lawyers in their group. And of course it needs to go the other way as well – industry leaders need to develop plans for the group and be held accountable for achievement of those plans.

Establishing ways to differentiate the firm in the eyes of clients is critical and our experience shows that an industry focus can be a valuable way to do that. But simply listing the industries of every client the firm has worked for on the website isn't a compelling differentiation. With thoughtful selection of industries and effective execution firms stand a much greater chance of success.

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