

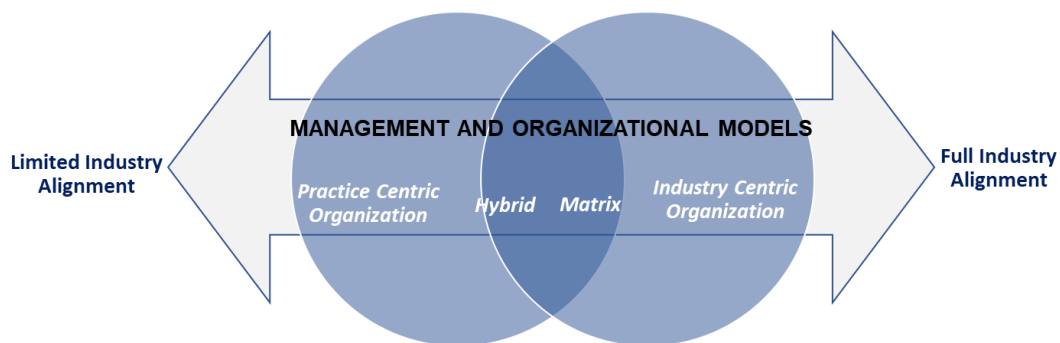


Organizing by Industry

In an effort to better align services with client needs and differentiate the firm from competitors, many law firms have adopted some form of an industry focused strategy. These efforts have seen varying degrees of success, in part driven by the firm's internal organization of the industry effort. Like many aspects of running a law firm, there is no one size fits all model. Each firm's organization of industry teams must be guided by the firm's specific client base, practice mix, geographic spread, and people, and a successful industry-based focus is best viewed as an evolutionary process rather than the adoption of static model or approach at a single point in time.

In our work with firms to implement or improve industry focused organizational structures and strategies, we have developed a range of models which are most effective, depending on the firm. In evaluating how to adopt or improve the organization of industry-based efforts in a law firm, it can be helpful to view the range of options for an industry focus as a spectrum, with one end of the spectrum representing informal industry efforts, and the other end representing a fully industry centric organizational model.

Spectrum of Industry Based Organization in Law Firms



In light of clients' intensified focus on industry-based expertise, it may be tempting to view one end of the spectrum (e.g., Full Industry Alignment) as superior to the other, causing some firms to seek a rapid shift towards industry organizational models. However, in our experience, we find that there is no one 'right' place to land on this spectrum which should be targeted by all law firms. Instead, firms must seek to position themselves along the spectrum based on two primary factors: 1) the nature of their client base and the related critical mass (or lack thereof) around select high opportunity industries, and 2) the current level of understanding among the lawyers of the role and value of industry-based organization. As the law firm, its client base and its lawyers evolve, the position along the spectrum will evolve as well.

Recent evolution along the spectrum of industry-based organization has caused a number of firms to re-think the way that they structure industry efforts within their firm. Again, while firms should avoid seeking to apply a particular 'template', it can be helpful for a firm to discuss and learn from approaches utilized by others in thinking through how best to structure industry efforts going forward.

Four General Models

We have observed four broad categories of models applied by law firms in organizing by substantive practice group and/or client industry. Although numerous variations and nuances to each model exist depending on the firm, there are recurring themes in the application of each general model.

Practice Group Centric Model: Practice groups were widely adopted by the legal industry by the 1990s. For numerous firms, particularly small firms or firms in smaller legal markets, a practice centric organizational model continues to make the most sense, as there is not enough of a critical mass within the firm or within the market to allow for a deep dive industry-based

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focus. In the practice centric model, lawyers are primarily organized through a single set of groups which are based on substantive areas of practice. Lawyers select or are assigned a 'homerom' within the most appropriate group, and the practice groups serve as the firm's primary management and marketing vehicle for allocating and organizing lawyer resources. Within a practice group centric approach, firms seeking a modest level of industry organization adopt informal industry groups or teams. The involvement and activity levels of the industry teams are intentionally ad hoc and intermittent but support some basic industry profiling and business development activities.

Hybrid Model: A second model applied is a 'Hybrid' model, whereby lawyers are organized through a single set of groups, some of which are based on practice group orientation, others of which are organized based on industry but which overlap with major practice areas. For example, the single set of groups in a given firm would likely include some typical practice groups (e.g., Corporate and M&A) as well as some industry groups where the firm's lawyers are most heavily involved and which are also comprised of a cross-section of lawyers from multiple practice areas (e.g., Technology or Real Estate). In this type of model, lawyers select or are assigned a 'homerom' within the most appropriate group for management purposes but may opt into participating in multiple groups for business development purposes. This single set of groups serves as the firm's primary management and marketing vehicle, with each group responsible for their own operations, including performance management, training, professional development, staffing, client development, marketing, profile building, etc.

Matrix Model: In a matrix model, lawyers are organized into two set of groups – practices and industries. Practice groups operate as the primary management vehicle for the firm and are responsible for the internal operations of the group. The practices provide strategic direction based on substantive practice area, develop practice-based business development plans, and are heavily focused on lawyer performance management, development, training and staffing. Industry groups overlay the practice groups and operate as the primary business development vehicle for the firm. Industry groups are largely market facing but provide substantial input on internal matters as relates to hiring, performance, and pricing, and also manage the implementation of client teams. In most instances, this model involves selecting a small or limited number of industries in order to maximize impact and participation, ensure effective leadership and avoid dilution of resources. While practice group membership is assigned or required, industry group membership may or may not be an expectation of all lawyers, depending on the firm. In fact, in a recent survey of large law firms we found that firms were generally organizing internally around 2-5 industries, although externally firms often market a broader range of industries among areas of expertise.

Industry Centric Model: A fourth, although much less common model, is an industry centric approach where all lawyers are organized by industry for both management and marketing purposes. Lawyers are assigned to a single industry group, and the industry groups serve as the firm's primary management and marketing vehicle for the firm, with each group responsible for the operations within their group. Substantive practice teams may still operate within each industry vertical but generally do not operate across industries, and the role and function of the practice teams is intentionally limited. Practice teams operate more informally and serve primarily for the purposes of training and development of younger lawyers in basic practice skills. An industry centric model with a very minimized use of the practice group is not commonly observed, even among larger firms where industry groups play a high value and active role in the direction of the firm. The reality for many firms is that the practice group model still offers value for organizational purposes, and thus a complete shift away from practice groups is not feasible or appropriate.

Each of these four general categories of models along the spectrum of industry-based organization offers advantages and challenges – which vary depending on the firm and its strategy. A model which may be highly successful in enabling one firm to appropriately mobilize lawyer and staff resources around industries may not work well in another firm. And a model which worked well for one firm five years ago, may not be as successful today for that same firm. Before embarking on a structuring or re-structuring of resources by industry, firms must first carefully evaluate the role of industry focus within their strategy and consider the range of organizational structures in light of that focus. Firms must also remain aware that evolution in the firm's lawyers and clients, and shifts in the industry overall, will likely necessitate adaptation in their organization of industry efforts over time.

For additional thoughts on industry-based strategies, see our Fairfax Insight on Industry Specialization [here](#).

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