



BY HEATHER SUTTIE

Toward Industry Alignment

Canadian legal practice shifts — cautiously — toward sector structure, following global law firms' lead



FOR MANY law firms, the days of being everything to everyone have been gone for some time. Global legal practices are coming to grips with aligning services by industry, while Canadian law firms have yet to definitively stake their claim on sectors where they have proven strength.

Service structure is not a new idea. There was a time when major Canadian corporate and commercial firms were known for certain areas of practice — banking, finance, M&A, etc. — and laid claim to their strengths and marketed themselves accordingly. These firms then acted as beacons for particular types of legal work. But organizing by practice is an internal structure that is firm-centric, while organizing by industry is client-centric. Some firms are just starting to twig to this, while others are well advanced in moving to industry alignment.

VIVE LA DIFFERENCE

In 2003, Norton Rose Fulbright differentiated itself by becoming the first global law firm to be organized by industry. In that year it moved toward industry alignment by developing a couple of sector-focused groups: Energy, and Transportation. Now, it aligns its services to six distinct industry groupings: Financial Institutions; Energy; Infrastructure, Mining and Commodities; Transportation; Technology and Innovation; and Life Sciences and Healthcare.

Norton Rose Fulbright is correct — and not alone — in taking an industry tack. In

the US, firms such as Orrick, Herrington & Sutcliffe LLP are focusing on technology, energy/infrastructure and financial sectors, along with Dechert LLP for financial services, and Baker Botts LLP, recognized for its expertise in the energy sector.

NUMBERS TELL THE STORY

A trio of brand measurement surveys indicate firms are recognizing that clients align by sector and are therefore inching their way toward industry alignment.

On the websites of the top 10 firms on the Acritas 2018 U.S. Law Firm Brand Index, half list industry before practice, two list practice first, and three list by practice only. Globally there is a slightly better showing: 11 of the 21 firms on the 2017 Acritas Global Elite Law Firm Brand Index list industry before practice, six list practice first, three list by practice only, and one lists a mix of industries and practices. Canada follows suit with six of the top 10 firms on Acritas's 2018 Canadian Law Firm Brand Index listing industries before practices.

However, whether or not they appear on the Acritas indexes, every full-service global law firm that operates in Canada lists industries first.

One of those firms, DLA Piper, partnered with Axiom Consulting last year to develop a client retention model to predict clients at risk. They found that the four key variables directly affecting client retention boiled down to adding an industry expert to a matter team of five or less while increasing time per team member proportionally where possible and running a focused, relevant marketing initiative for each client. Within six months, adoption of the plan started to kick in, and DLA was able to prevent 85 per cent of fee loss on a year-over-year basis along with an estimated revenue increase of \$37.6 million.

MAKING THE SHIFT

Moving toward industry alignment need not be an all-or-nothing proposition, and any firm can do it because it's scalable. It's best to start with a small selection of industries and transition from there.

Understanding your firm's industry strengths is step one. It's an easy step to take since every client has a Standard Industrial Classification (SIC), North American Industry Classification System (NAICS) or International Standard Industrial Classification (ISIC) code that is determined by a company's primary line of business.

Step two is deciding which sectors to focus on. This requires examination of industries served and revenues, along with your firm's ability to deliver qualified service expertise. Expertise is the biggest challenge of creating an industry team because its members must have hands-on experience working within a sector.

For example, in 2004 I helped a boutique firm with a deep automotive client roster build an industry team. A key criterion for selection to the team was direct experience working for a vehicle maker or automotive parts manufacturer. This ensured that each team member understood and spoke the language of the sector. From there, the process involved mechanics and patience. Mechanics included marketing to the automotive sector and shortly thereafter, business development began.

Patience is the key to ensuring that a firm's industry alignment comes to fruition and profitability. But for sector-specific practice groups such as that automotive team — which flourishes to this day — it's worth taking a far-sighted approach and seeing the process through. 

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