

## The Most Lucrative Growth Is Industry Focused But Only If You Get Granular



I was reading an interesting interview with Sandy Thomas who was just reelected for his third term as Global Managing Partner at Reed Smith. What struck me was when he was asked about the direction of his firm and his **growth priorities**, he responded that Reed Smith will concentrate what he calls its “*talent, time and treasure*” as the firm embarks on a new four-year plan. The focus will be on developing capabilities in five **core industries**: financial services; life sciences and health; energy and natural resources; transportation; and entertainment and media. The interviewer observed, “*That’s a wide net -- but compared to some Big Law leaders who seem loathe to imply any scrap of business is less important, it’s practically a laser-like focus.*”

We all know intuitively that we need to have our firm grow but the subject of growth can be a tricky topic such that it becomes important to have an informed perspective on how to think about it. Growth creates healthy practices, strong firms, opens up opportunities, excites and attracts good lateral talent, and rewards partners. But do we really know how to achieve it?

One approach is to pay attention to which clients you pursue and particularly when you look at clients through an industry lens like Reed Smith is doing. I would argue that in order to truly identify growth opportunities you need to drill well below the traditional industry level. And I would suggest that those few firms that have focused at all on developing Industry Practices invariably miss-the-boat when they position themselves at too high a level to establish themselves in a manner that really attracts the better potential clients.

And why does this happen? Because, and I am not going to blow smoke at you here – law firms and lawyers do NOT understand the intricacies of Industries.

As but one example. even some of the Legal Media that I would expect to know better, have me shaking my head. *The Legal 500* is seeking submissions for its US Ranking of law firm practice and industry groups. The purpose of these rankings is “*to help in-house lawyers and legal teams find the right advisors.*” Amongst the list of Industries in which you can enter your firm to be

considered include “*Environmental*” and “*Native American Law*.” Important areas of practice to be sure, but are these really industries and especially when you cannot help but add “Law” to the title? Then their categorizations go on to include “*Media, Technology and Telecoms*” . . . all lumped together as one industry? Digging deeper you can find “*Cyber Law*” (there is that “Law” term creeping in again) and “*Fintech*” included under this heading. Little wonder when it comes to understanding industries, that some of our law firms seem confused!

Some decades back a friend introduced me to the President of a large Public Relations and Marketing Communications firm because this firm was in financial difficulties, needed some business experience to help turn things around and thought that I might be able to be of assistance. I was intrigued but quickly realized that this was a firm in the professional services industry and there was very little information available at that time on the inner workings of these kinds of businesses. Now just imagine, this was before the age of Google and so I had to scour academic libraries to help me learn as much as I could, as fast as I could, in order to be of any value to this Executive’s plight. Now, this little adventure ended well and the firm was saved. For my trouble I subsequently embarked on a career-altering journey over the next two years of working with PR firms; engineering companies; accountants; research consultancies and law firms – which I eventually discerned were all significantly different players existing in this same ‘professional services’ industry.

Now I could have tried to establish myself as an expert across this entire industry, as only my good friend and colleague David Maister was able to accomplish; but not coming to the market holding a Harvard Professor pedigree, it soon dawned on me that perhaps I needed to make some hard choices. And so like many of the lawyers I see who are struggling to hold themselves out as an accomplish expert across an aggregate industry, I discovered that you need to look ***deeper*** within your chosen industry in order to identify some pocket of potential growth where you can better focus your time and resources.

Most industries, especially those that are more mature are comprised of a number of granular levels including Sub-industries (TIER 2); Segments (TIER 3); and what I call: Micro-Niches (TIER 4); and also by market (region or country). Understanding these various levels (and some industry analysts may use slightly different terms but please don’t miss this point) can be indispensable for you in seeking to make the right decision about how to grow and where to prosper.

Let’s look at but one example from an Industry Perspective. The Construction Industry is one that is mature and that many firms across the country purport to serve. If you go to the website of some firm serving this industry and with an acknowledged Industry Group Practice you will see some “overly brief” generic text about who they specifically serve within the industry:

*Attorneys serving the Construction industry represent all segments including owners, developers, public entities, general contractors, subcontractors, sureties and financial institutions. We provide guidance to clients on the legal issues that arise at all stages of public and private construction projects. (I cringe whenever I see that term “all”)*

Then you will also likely see a lengthy list of the Legal Services, followed by some Representative Matters evidencing the kinds of legal services provided clients, and sometimes even a few client Testimonials. All quite impressive except this is rather *cursory* information.

Why do I call it “cursory?” Well, if you examined or are a player in the Construction Industry you would recognize that it is comprised of 4 different Sub-industries (TIER 2) and those various Sub-industries include 51 different Segments (TIER 3). So for example, the largest of those sub-industries is “Special Trade Contractors” and it encompasses 23 segments including companies in everything from Demolition and Wrecking to Steel Framing; and from Swimming Pool Construction to Elevator Installation Services. Now if you are a company that specializes in Swimming Pool Construction, please tell me what part of this firm’s generic text appeals to you when you are out looking for legal counsel to assist you with an enormously complex matter?

Now if you are interested in exploring some of the more lucrative work and where there is likely to exist minimal if any competition, you need to drill down to a deeper level and that is in the Micro-niches (TIER 4).

So, still talking about the Construction Industry here, there are over a dozen (that I’ve identified) micro-niches where some firm could establish themselves as the ‘Go-To’ provider. These include areas like: Modular Housing (a \$500 billion/year market); Senior Housing Construction (to accommodate the ‘Silver Tsunami’ in retirement community developments); 3D Printed Prefab Homes; or how about Climate Change Bunkers (just imagine a Survival Condo that is 15 stories deep complete with a heated swimming pool). Can you name a lawyer who has established themselves as the go-to attorney in any of these micro-niches?

It is challenging to truly understand, and then set about serving the needs of clients if you don’t get specific in terms of which industry level you are addressing. Not only are there semantic and terminology differences in business processes between industries, but there are substantive differences amongst different industry levels, depending on how companies are organized, what products/services they sell, how their customers buy, and so forth. Thus, although it may be accurate to describe a home builder and paving contractor as examples of “construction companies” each of these two businesses serve very different needs, handle their customers quite differently (with low-touch or high-touch strategies), sell/deliver different products/services; and these differences can be significant – such as how they might go about managing financial or tax transactions to handling intellectual property issues.

Another popular industry that a number of law firms, including Sandy in his stated aspirations for Reed Smith, claim to offer expertise in, is Health Care. Now one of the little things that can tend to annoy sophisticated clients and have them question a firm’s credibility is when some law firm combines Health Care and Life Sciences as if they were the same industry. They actually are two very different groupings.

The Health Care Industry is comprised of 4 Sub-Industries (like Hospitals and Health Services) and 89 different Segments; while Life Sciences has 5 Sub-Industries (like Biotechnology and Pharmaceuticals) and 143 different Segments. And like my Construction example there are all kinds of TIER 4 Micro-Niches capable of providing lawyers and their firms with lucrative

opportunities. For example, Wilson Sonsini, is one firm that has Industry Groups with active practices in a couple of notable Micro Niches:

In Health Care they have ten attorneys practicing in Digital Health:

*Whether you're tracking daily personal activity, using video chat to speak to your doctor, or looking up medical records, Digital Health has become a regular part of life. This fast-growing sector will continue to effect change in consumer behavior and provider care. Luckily our attorneys bring broad expertise backed by scientific training and superior legal experience to some of the best in Digital Health.*

In Life Sciences there is one attorney Andrew Hoffman designated as the principal focused on serving the micro-niche of Global Generics:

*Today's generic pharmaceutical market is high paced and rapidly growing. With change comes increasing regulation and drive to support research and development, which Wilson Sonsini has deep expertise navigating for its clients. Through specialized support and industry knowledge, our attorneys can assemble a team to bring pharmaceutical offerings to global markets.*

And I love this example with Andrew being a solo because it refutes any notion that in order to have a viable go-to practice you need a large group – when if anything it is just the opposite. So many of the higher performing firms I've seen have rather small, focused groups with highly dedicated attorneys working in concert to develop a significant market presence.

Now don't let me leave you with the impression that you have to be the size of a Reed Smith or Wilson Sonsini to make this work. When I was doing some research on the "Anti-aging and Regenerative Medicine" micro-niche, one of the leading law firms I found was the Cohen Healthcare Law Group, a firm of only four attorneys headed by Michael Cohen, a former assistant Professor of Medicine at Harvard Medical.

And I loved to watch what transpired in the Financial Services Industry and the Alternative Financing Segment when a small overlooked Micro-niche known as Special Purpose Acquisition Companies (SPACs) became all the rage. I hope that no one missed the fact that the market leader, the go-to attorneys, were from 120-lawyer Ellenoff Grossman – a name that few might recognize and that Kirkland Ellis and Skadden allowed to kick their butts. Ellenoff achieved #1 record-setting deal flow in 2020, largely as a result of having identified this granular opportunity and being a first mover a few years before it gained traction. Now watch them take the lead in another little known Micro-niche, Equity Crowdfunding (how many have heard of that one?)

In summary, in order to identify growth opportunities, you need to delve deep below the traditional industry labels. Applying the idea of granularity to your Industry Practice and your markets and then staying cognizant of new trends and developments, should help you to determine the level at which the most valuable and actionable insights are to be discovered.