





Clients Want Firms That Know Their Industry

by Patrick J. McKenna and Michael Rynowecer

It is surprisingly common how often at some legal conference you will witness a panel of corporate clients discussing their views on law firms. Invariably someone in the audience will ask these panelists, *“What is the most important criteria for you in selecting outside counsel?”* We fully suspect that the person asking this is expecting to hear that the most important criteria is “cost” or perhaps “responsiveness.” While those things are important, they are NEVER the answer the panelists give, especially if that panelist is a General Counsel. The answer invariably is, *“I want someone who knows my business”* or framed more pointedly, *someone who can “demonstrate a thorough understanding of my industry.”*

*In nearly every other profession from accounting to engineering, it is widely accepted that “Clients do not have legal, financial, technology or other technical problems, **they have business problems.** Those business problems just happen to have legal, financial, technology or technical elements to them.”*

In fact, *Understanding Your Client's Industry* is the single biggest differentiator among law firms – it is also the single largest driver behind clients being able to justify paying higher rates to any law firm. At least that is what we know based on more than 5,000 interviews with top legal decision-makers by The BTI Consulting Group (Wellesley, MA)

Because *practices* and *offices* are the traditional management units within law firms, *industry* is often the undervalued component of many law firms supposed “client focused model” and organizational structure. Organizing by *practice* is an internally focused structure that is firm-centric, while organizing by *industry* is externally focused and client-centric.

From our research we found that 36.9% of law firms indicated they had dedicated industry group in 2019, which was up from 27.3% in 2017. BUT – not all industry groups are created equal. We say that because our research indicated that:

- less than half of industry groups have a dedicated budget – one proven key for success;
- only 13% have dedicated attorneys who work solely on these industries and have skills that are focused on the industry; and
- less than 10 firms (out of 350), rely on industry groups to define strategy and map out plans for practices serving their clients.

All this suggests that in only half of those law firms claiming to have industry groups are there actually dedicated industry groups. For far too many firms, any pre-

tense of having a real industry focus is simply a list of industries displayed on their firm's website – without any recognition that perhaps the clients can discern the difference.

Bad News Flash: you are not fooling anyone!

Perhaps worse, some firms claim to serve far too many industries – and seriously undermine their credibility with clients in the process.

Meanwhile, we continue to hear how industry group leaders are **completely frustrated** . . . by their lack of any clear mandate, authority, and visible support from firm leadership. Few get any meaningful leadership training; get a separate budget or a dedicated marketing support professional attached to the group. Few meet on a regular monthly basis or collaborate across offices; nor have they developed a ‘real’ formal strategic plan. Worse yet, few get the support from partners or firm management, which could, for example, make a firm require that partners work only in one core industry

Typically, firm management is organized along practice lines and office lines, and while industries can be some (vague) part of the management matrix, most firms have not got that balance right . . . quite yet.

I. Are Your Industry Practices Just for Show or Are They REAL?

Turning back to The BTI Consulting Group

research – clients, on average, rate their primary law firm an 8.3 out of 10, with 10 being best – not exactly premium rate worth. The good news – clients will teach you through client feedback and meaningful dialogue outside the context of a case or matter.

Here are a dozen diagnostic questions (and not intended to be comprehensive) that you might internally review and discuss, to evaluate where your firm stands with respect to having a genuine industry focus:

- Does your firm understand how much importance your clients place on industry knowledge? (Do you have client survey or interview results that you can easily share with attorneys throughout the firm evidencing your client's views?)
- Does your firm leadership really believe that industry knowledge has a direct and meaningful impact on your overall financial performance? (For example, through the ability to retain clients, cross-sell other services, build a reputation to win new/better clients, achieve selective niche dominance, etc.)
- Has your firm made definitive decisions about which selective industries to strategically target and focus on? (or are industry teams simply a marketing ploy and/or does your firm claim to serve many different industries?)
- Has your firm organized and actively recruited partners to join and commit a specific number of non-billable hours to working in ONE chosen industry team? (or are partners left to join in as many different groups as they wish, leaving group leaders to wonder who specifically is committed to doing anything?)
- Does each industry group have a leader (or co-leaders) trained to manage, coach, support and facilitate the group's initiatives? (or are group leaders left on their own to determine whether to have their group meet and what to do if and when a meeting occurs?)
- Does the firm have any formal programs and budgetary resources available to develop the industry competence and expertise of the partners, (or is the task of developing, and continuing to build, valuable industry knowledge and skills left up to each individual's personal initiative?)
- Does your firm have industry focused research programs that monitor and identify emerging industry trends? (or is the aspect of developing thought leadership and identifying new service opportunities simply left to chance?)
- Has each industry group developed a formal, written strategic plan identifying specific niche opportunities where they are working to develop a position of dominance? (or are groups just expected to meet occasionally to discuss what each member has been working on with their clients?)
- Has your firm assigned specific marketing professionals to support each of the industry groups? (Or are you just expected to call upon the marketing department as a need might happen to arise?)

- Does your firm capture and leverage the industry specific intellectual knowledge gained from client engagements? (or is knowledge management just not a recognized priority within how we add value to our client work?)
- Are industry competence and expertise assessed and tied directly to lateral recruitment efforts in order to build upon the industry group's market strength? (or is lateral recruitment simply a matter of finding those with a book of business irrespective of any recognized industry expertise?)
- Does your firm report and assess performance by industry (fees, profitability, growth, partner contribution, partner promotion, compensation decisions, etc.)? (or is performance by industry secondary to practice group, office, or some other performance criteria?)

Law firms that have made a commitment to industry focus and industry teams need to do these things. And those that don't are missing out on one of the primary benefits of an industry focus, which is to differentiate the firm and build relationships by showing clients and prospects that your firm knows something that the client (and your firm's competitors) don't know.

II. Do Clients Value You Having An Industry Focus ?

While attorneys tout their deep technical or functional expertise, most clients view that as table stakes. They assume you're an expert in employment law, international tax

or complex litigation. And as clients face increasingly complex business challenges that go well beyond any one (traditional practice group) area of the law, they wonder if you really understand the key aspects of their industry. To be fair – they don't care if you don't know the intricacies of making their widgets – but they DO want you to know the idiosyncratic aspects of what they are having to deal with. For example:

- any exclusions they can use to avoid a regulation unique to their company, product or service;
- how much a Pharma company spends on due diligence before beginning serious development, so they know you know what you are getting into;
- sound strategies to accelerate the time to get permits and approvals; or the legal spend per barrel of oil, for an energy company.

You can be a great technical expert – but the secret sauce is proving you can put it to work in specific and granular manner for clients. A few good strategies to really gain insight into one of your valued clients is to:

- read at least 6 pages deep into their website – homepages don't count;
- check all client career pages, LinkedIn and places like The Ladder to see what kind of people your client is looking for – especially in product development, engineering and within their legal departments; and
- assign an associate to assemble all the

alerts about this client, their competitors. and ask that it be delivered in an organized fashion on a monthly basis.

But wait, there is more.....

What they also want to know is – have you done it in their industry? Do you understand the nuances of their industry? Can you hit the ground running or will they have to invest hours to teach you and your team how things are normally done in their world?

In assessing the strength of your industry practice, you need to ask:

- Are clients in our market footprint aware of our specific industry practice?
- Do they consider us a viable option to service their needs?
- Do they proactively inquire about our industry capabilities and ability to address specific opportunities?
- Does the firm have luminaries who are widely recognized as experts on key industry issues?
- Does the firm have bench strength that enables us to effectively serve multiple clients or bring full scale teams to bear on complex high stakes engagements?
- Do they hire us in preference to our competitors?
- Do they continue to hire us because of what we know about their industry?
- Would they recommend us to others in their industry?

- Do the top companies and top executives in the industry trust us with addressing their
- most complex problems or do they just send their commodity work?
- Is our firm able to attract, develop and retain the best industry talent or do talented industry experts seek out opportunities elsewhere?
- Is our firm one that young professionals with an emerging focus on an industry aspire to work with?

Hence if you have any aspiration of being a trusted advisor and offer valuable advice to your client, you must first understand the client's business problem. When the CEO calls the GC – they never ask about the legal risk – they ask about business risk. The more you can understand and advise on the business risk, the more clients are willing to pay and use your services.

Understanding the client's business problem requires understanding the client's business. It is at this point that industry becomes relevant as it becomes a proxy for understanding many aspects of the clients business – such as: industry terminology; kinds of products and services offered; industry specific revenue sources and revenue recognition issues; common contractual terms; industry specific laws and regulations; typical business practices; types of talent employed; technologies used; and supply chain structure and practices.

Be on the lookout for signals that you

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might not be up to speed on the deeper industry matters:

- Do clients express frustration at “... having to teach your people our business”?

This can sometimes be a reaction to someone not understanding the basic industry lingo or technical terminology commonly used by members of the industry

- Do you find yourself sheepishly asking questions about basic terminology in client meetings, or bluffing your way through the meeting and frantically re-searching the topic later?

We remember seeing one client asking the attorney, “So you are representing yourself as a HealthCare attorney, please tell me what you know about BHRT?” only to receive a bewildered reaction.

- Do clients and prospects explicitly ask to see industry credentials or meet with professionals in your firm that have industry expertise?

This may come about as clients do not see your industry group members actively involved in any of the industry or trade associations. Or alternatively the client is highly skeptical as they observe on your website, the same lawyers supposedly active in multiple unrelated industries.

- Do you avoid following up on a particular discussion point (and therefore miss opportunities) because you’re really not sure what the client is talking about or its significance?

We remember the partner representing his Manufacturing Industry Group who was completely unfamiliar with new developments in the sub-industry known as Augmented Manufacturing / 3D printing, and just seemed to shrug his shoulders when the subject was raised.

The logic of all this rests on the idea that businesses in the same industry face similar legal challenges and that clients can benefit from a firm's accumulated expertise, built up over years of deal-making and litigation in a particular industry. Industry groups promise that a firm knows the jargon, power players and problems that its clients deal with daily.

Industry knowledge may be less of an issue with a pension matter but becomes incredibly important when advising on specific international trade regulations. Typically, the more complex the issue, the greater the need for industry expertise. The key question for any professional professing having some industry knowledge becomes:

What do I need to know about this industry in order to understand what my client is talking about, explore the various implications and options to achieving the results my client is looking to realize, assess the possible risks, and deliver service and advice that is relevant and appropriate to this client’s business?

It is worth recognizing that this is where having a **real industry “team”** can make a significant impact. For example, those in the group with different levels of seniority

may require different levels of industry knowledge based on the nature of their work and the client interaction. Also, the client's work may be effectively executed by drawing expertise from across practice disciplines and successfully leveraging only one or two key industry lead attorneys who can help explain the industry characteristics to others that are bringing some specific deep expertise around say a tax, technology or intellectual property issue.

III. Should “Industry” be THE Critical Component of Your Overall Firm Strategy?

“Strategy” is often misunderstood amongst law firm leaders. Being a law firm leader means that you are not managing one homogenous firm, but rather a portfolio of very different businesses. Strategy should be thought about at the business unit level with a clear, shared understanding of where the firm will allocate its scarce resources (people, time, dollars) towards the goal of being the “leading” or “go to” firm for one (or multiple) segments of clients, facing one (or multiple) types of business issues.

In practical terms, strategy helps guide deliberate choices about where your firm is and, just as importantly, where the firm is NOT going to direct limited resources. It can also (more controversially) include which clients and targets your firm will (and will not) continue to serve and/or pursue. Our experience is that being more industry focused allows your firm to find more (and better) client opportunities

for three key reasons:

1. Prospects and clients actively seek you out because of your enhanced profile within their particular industry and trade associations, because of your publishing and speaking on topics that are relevant to their specific businesses interests;
2. Unlike more “generalist” firms where the client is often wondering how much time and money it will cost to “bring you up to speed” on their business issues, you demonstrate an insider’s knowledge of key industry issues and trends; and
3. With an industry focus, you are able to more quickly and concretely identify how a new regulation, piece of legislation, disruptive technological advance, or economic development, etc. is likely to specifically impact a particular industry and the companies within it.
4. Clients believe they will get better outcomes and results because you understand the business risk, which clients believe drives legal strategy with the business risk defining the goal.

These points were reinforced in a recent discussion we had with by Jon Lindsey of [Major, Lindsey & Africa](#), who outlined some of the results from his firm’s recent 2020 Lateral Partner survey. According to Jon, the search for the right lateral is not about the individual simply having “a book of business” anymore, but rather, 75% of Major Lindsey’s executive searches are concentrated on finding some attorney with the

“right practice specialty.” And at least one-third of the inquiries Lindsey’s firm receives are very industry specific, along the lines of: *“Please find us a private equity attorney with a specialized knowledge of the Pharma industry.”* Lindsey said that from his experience, those kinds of industry-specific inquiries have definitely been on the rise.

In Australia and New Zealand, our friends at Beaton Research conducted their [annual survey on the performance of their professional service firm clients](#) and found that half of the law firms in the study had their clients rank Innovation as the law firms’ worst performing attribute. Also, there appears to be a big gap between firms’ current innovation activities and what clients truly value. For example, clients do not view innovation simply as technology, apps, AI, etc. In fact, the number one thing that clients say they want is for their law firms “to understand them better.” Indeed, clients want firms to “improve client service and client experience through better understanding the needs of clients, including understanding their business and industry.”

Meanwhile, Graciela Gomez Cowger, CEO of Schwabe, Williamson & Wyatt directs her firm on a strong focus on six industry sectors. In a [recent interview](#) she explained that the firm moved that way as a response to client feedback. “They wanted industry-tailored legal advice that takes into account the particularities of the industries in which they operate,” Cowger said, adding that how the firm spends its time and resources, how it hires, and how it trains its lawyers is

all dictated by this industry knowledge.

“Having this narrow focus simplifies our operations, helps us make decisions, and allows us to partner with our clients.”

And in a time when some firms still do not understand the dynamics of industry fragmentation and simply attempt to package it all under one umbrella, we salute the announcement made last month by [Marshall Dennehey](#). In an effort to keep pace with client needs in the evolving healthcare environment, this firm launched four new practice groups: Behavioral Health Risk and Liability; Electronic Medical Record and Audit Trail Litigation; Emergency Medical Services; and Telehealth and Telemedicine. As an example of how strategic this move is, we all know that HealthCare is one of our most regulated industries, but COVID-19 is taking the shackles off “Telemedicine.” As part of the \$2 trillion CARES Act passed by Congress the FCC plans to spend \$200 million to support telehealth programs. So if your firm has a vanilla labelled HealthCare group, how are you expecting to compete?

When your firm focuses on a specific industry, it quickly deepens its understanding of how to apply its expertise in that industry.

Your firm can move quickly to identify key issues, determine best practices or spot how emerging trends may create new opportunities and problems for companies in that particular industry. But the real issue here is not about the deepening of industry knowledge and insight, but whether your firms has a structured process for developing, refining and sharing those industry insights that can then allow you to enrich your relationship with valued clients.

Here are some specific steps to make sure you have covered in making your industry group efforts worthwhile:

Determine your firm's current industry experience

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 the company's primary line of business. That said, it will be inevitable that some of your clients may be players in multiple different industries. At last look, Amazon is a major player in well over a dozen different industries.

Also, clients that make silicone chips have nothing in common with companies that make cars, but law firms keep creating "Manufacturing" industry groups. The key is finding industry definitions that reflect the firm's actual client base and experience.

Decide which specific industries to target

This requires examining the various industries your firm is currently serving and the revenues realized, together with your firm's ability to deliver qualified service expertise. Expertise is the largest requirement to creating an industry group because the members of the team must have hands-on experience working within the particular sector. In addition, having group members who are active participants in trade associations provides you with the advantage of having your people hanging out where the potential clients are.

Compare the strength of your firm's capabilities to your major competitors

Critically and objectively assess your firm's existing capabilities to solve clients' most pressing problems in each targeted industry. Will clients view your firm as credible? Does your partner group have solid client references and relationships that will help you compete effectively? Do you have (or can you quickly develop) insightful points of view and usable intellectual property (checklists, templates, tools, etc.) that will pique your clients and targets' interest? If not, it will be difficult to compete effectively and might not be the best industry sector to focus on — unless your firm is willing to invest in building the missing capabilities and credentials.

It is not unheard of to see some firms enter markets where they had few existing clients and were up against well-positioned competitors dominating the landscape. We are not saying that you should never move into totally new industry markets, but you do want to carefully evaluate whether the competitive battle is your firm's best investment of time, energy and focus compared against other industries where your firm is starting from a more established position.

Analyze the current size and projected growth rate of each targeted industry

You should ensure that the current size and the projected growth rates for each target industry under consideration will result in a sufficiently large market for you to compete in. "Sufficient" will naturally vary by firm

— but should always be substantial enough that it can support a critical mass of partners and professionals as it evolves.

Now that said, there are some industries that may be in their early developmental stages (e.g. Vertical Farming) or it could be a mature industry that is currently going through a fracturing process where multiple sub-industries are emerging (e.g. DNA based medicine in HealthCare). In these instances, being a ‘first mover’ could secure a competitive advantage . . . over some period of time. You need to feel comfortable that you can achieve that first mover advantage and that the targeted industry has traction and is not going to become simply a fading fad.

Coordinate practice breadth with each targeted industry

Clients that come to a law firm because of its industry knowledge expect their industry experience to extend over a range of necessary legal specialties. Successful industry groups are narrow in their industry focus but broad in their practice capabilities.

Clients coming to an industry group also expect their law firm to be an industry insider. The best way to do that is to be the first to advise clients on breaking industry news. A simple client email within 24 hours of an important regulatory change affecting an industry screams industry knowledge much more than a well-crafted formal newsletter a month later. Don’t be one of those firms or attorneys who simply rely on sharing industry news, as it fails to tell clients anything of value.

Ensure geographic alignment between the targeted industry and your locations

Be sure to evaluate the level of geographic fit between your target industries and your office locations, given the geographic clustering that is prevalent in many industries. For example, it will be challenging to service oil and gas clients in the Houston area if your firm only has offices in the Northeastern US. Similarly, a firm with a presence in Silicon Valley is likely to be well placed to serve clients in some aspect of high technology.

Try to match culture between partners and each targeted industry

The reality is that some firms and their partners are better suited to some industries than others. For example, media businesses and their executives are quite different from oil & gas executives who are different from those running hedge funds. Because clients generally tend to retain people they “like” and are like them, it is hard to understate the importance of this criteria. This cultural/personality match (or lack thereof) should be discussed openly (and without fear of retribution) to help guide your firm and it’s individual partners towards the right industry focused decisions.

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About the Authors

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[Read more about Patrick McKenna.](#)

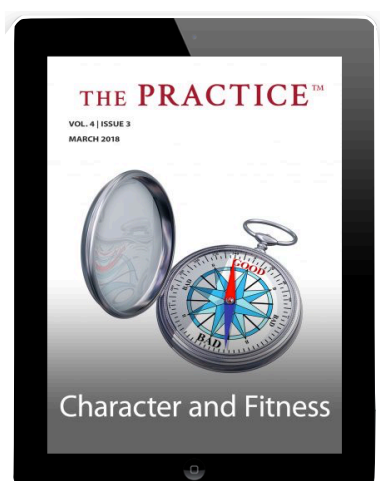
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