Why The Future Law Firm Model Is Industry-Based Offerings

By **Jennifer Simpson Carr, Timothy Corcoran and Mike Mellor**

The global COVID-19 pandemic unearthed a rift between the way law firms categorize and go to market with practice groups and how clients view the consultative relationship.

Jennifer Simpson Carr

At most law firms, traditional business development and client service delivery — and the financial incentive structures that support those elements — rely on practice group monoliths. These long-standing law firm structures do not support the development and sustainability of strong client-adviser relationships, and in fact, can be detrimental to firms and clients alike.

Timothy Corcoran

For example, intellectual property, bankruptcy, tax and litigation are practice areas that often exist as siloed verticals within the law firm. In many cases, law firm partners often are incentivized to protect and defend the client relationships they have cultivated from those colleagues who work outside their practice area. Such possessiveness of one's clients negates the obvious benefits to the client and the firm that would ensue from greater collaboration.

Mike Mellor

But what happens when clients' business-critical needs require a multidisciplinary, yet still seamlessly integrated, approach? Here, we explore a more effective and client-centric framework to assemble teams and deliver legal services.

Some of the most forward-thinking law firms and other legal services providers have begun organizing their services into horizontal, industry-based affinity models. Others have created individually tailored teams to identify and then address some of their key clients' comprehensive business and legal needs.

Focusing on a client proactively and holistically as an entity, rather than disjointedly delivering legal services on a reactive and on-demand basis, creates a centralized way to understand the full scope of a client's legal needs and yields benefits for firms and clients alike.

How an Industry Focus Drives Business Development and Client Service

While industry focus is not a new approach to law firm services organization, there are many corporate law firms that still segment their services by practice areas instead of industries. Creatively reimagining service delivery by industry sectors opens the door to many benefits for law firms and creates the optimal framework that caters explicitly to meeting clients' industry-specific needs.

This approach can also be a growth driver by allowing law firms to develop and then redeploy subject matter expertise within key industries, scaling their experience for future initiatives.

Of course, when law firms take an industry-focused go-to-market approach, clients undoubtedly benefit from the lawyers' holistic view of the industry. This method enables teams to identify similar patterns and to anticipate issues likely to arise in the context of an industry.

For example, when a fintech company needs to manage a charter issue, there are inevitably labor, governance and other issues the client should preemptively consider. Similarly, in a corporate merger, the entities must consider employment law, intellectual property, insurance, real estate and myriad other legal issues.

Taking an industry approach allows law firms to think beyond the bar to incorporate the best talent to help meet clients' needs, whether these professionals are lawyers or not.

To deliver best-in-classes services to a client, business specialists and administrative professionals can play crucial roles in industry groups and on client teams as subject matter experts, project managers and effective dot-connectors to marshal resources from around the firm. Incorporating people who are widely known in their respective arenas provides unique value and creates a more positive perception of the firm as an industry insider and highly efficient enterprise.

All corporate law firms tout their legal knowledge — it is table stakes in today's competitive environment. We believe that it is the industry focus and understanding of the general counsel's intersectional legal challenges that will be the compelling differentiator.

Stumbling Blocks to Assembling Industry Groups

While we believe that the answer is clear, assembling industry groups and the appropriate client teams is not a simple process. Change can be both slow and resisted at law firms, particularly those with long histories of doing things a certain way.

One major stumbling block is the traditional law firm compensation structure. Partner incentive systems can often, albeit unknowingly, stand in the way of shifting to a multidisciplinary and collaborative industry-focused offering and provide negative unintended consequences.

For example, some plans reward partners more for withholding than for sharing credit when winning work or managing a client relationship. Other plans treat origination as a one-time and perpetually rewarded event rather than as a series of rewards linked to the growth of the client relationship. To encourage stickier, deeper and broader institutional relationships, firm leaders must align what's good for the partner with what's good for the partnership.

Client demands drive law firm growth — and partner compensation plans should reward actions that benefit clients and consider the implications of those models. Sometimes, the most important step that law firms can take toward true client focus is to remove any disincentives preventing collaboration, and align each lawyer's personal economic interests with that of the firm.

Removing the actual or perceived threat to a lawyer's compensation fosters a client-centric legal service delivery approach that involves attorneys best suited to address a client's overall needs.

A collaborative legal service approach establishes more relationships between the client and the lawyers, protecting the overall partnership from the potential departure of a key principal on either side. Aligned incentives can help even large firms operate in a way that mirrors midsize and smaller firms, where familiarity breeds greater trust and collaboration.

Seven Keys to Establishing Successful Law Firm Industry Groups

Determine how your most valuable clients fit within their respective industries to align optimal industry groups within your law firm. Practice-agnostic teams and industry-based structures create new value for clients by bringing together lawyers and other legal professionals with diverse legal experience and thought.

Collaboration allows legal professionals to think through client challenges in new ways, untethered to one specific legal focus. When helping your law firm to adjust to collaborative industry groups and legal teams, consider the following:

1. Seek stakeholder buy-in.

A shift in service delivery requires internal champions from the executive committee, group leaders and other members of the management team, in addition to the lawyers. Office managing partners and practice group chairs can rally the teams, but engagement must come from the attorneys who do the work and will be expected to collaborate.

2. Validate hypotheses through data.

It's no secret that clients want useful advice that they can implement without industry translation. Once client teams are in place, scaling and specialization provide myriad benefits to law firms. Use case studies internally to demonstrate wins and develop a framework to celebrate wins — a mission-critical element in driving effective change management.

3. Deliver diversity to drive revenue.

Law firm client teams should be diverse. Diversity, inclusion and equity are business imperatives and clients are demanding that law firms commit to these tenets. As an example, Coca-Cola Co. general counsel Bradley Gayton recently revised the company's outside counsel guidelines to require that diverse attorneys perform at least 30% of billable work on the company's account, with at least half of that work performed by Black lawyers. This trend will continue in the years to come.

4. Provide access to diverse talent.

At many law firms, giving titles and lead roles can be viewed as a tool to reward those who know how to originate business. Such trophies do not consider the team members who often make a great impact on client success. Identify and implement an authentic client teams approach to the delivery of legal services; revenue will surely follow.

5. Focus on what you know and do best.

One of the most difficult things for lawyers to do is to say no to business. Despite the strong allure, the best industry and client teams start with where you have the greatest current success, not aspiration. Determining the best industries for your law firm also means learning to say no and picking authentic industries and teams led by the right people for long-term success.

6. Cross-sell for mutual benefit.

While law firms often think about cross-selling in terms of figuring out how to seek more work across a client's portfolio, providing an industry-focused approach to legal services allows clients to build deeper relationships with an individual law firm that can meet a broader spectrum of their needs. What's more, the more relationships a client has within a law firm (across practices), the less likely they are to change firms.

7. Understand how ESG supports industry team success.

Environmental, social and corporate governance refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. Many big corporations have established ESG initiatives. In a recent interview with one of our firms, Pavani Thagirisa, associate GC and global head of legal for ESG at S&P Global Inc., shared that law firms must consider ESG factors and how they affect their clients' legal matters.

According to Pavani, environmental factors "include the contribution a company or government makes to climate change, their greenhouse gas emissions, renewed efforts to combat global warming, cutting emissions and decarbonizing to become more important."

Social factors include "human rights, diversity in the workforce, labor standards in the supply chain, any exposure to illegal labor and more routine issues" that must adhere to workplace health and safety.

Governance defines the rights, responsibilities and expectations between different stakeholders in corporate governance. According to Pavani, the goal of the governance pillar in ESG is to build a well-defined corporate governance system used to balance or align interests between stakeholders and work as a tool to support a company's long-term strategy."[1]

Ready or Not, Here Comes Collaboration

Many competitive law firms have already launched industry groups, and in many respects, this article reiterates something that most corporate law firm leaders already should know. Moving forward, we will likely see more high-growth firms disincentivizing work siloes, eliminating the path for lawyers to achieve maximum revenue if they hoard work or do not collaborate across practices.

Once other firms start seeing their competitors doing so, the desire to take an industry approach to law firm services will grow from BigLaw and Am Law 200 to midsize firms and more boutiques. There can even be healthy competition within law firms to encourage the establishment of client value through industry segmentation. For instance, firms can tap the most driven and the best team players to lead these industry groups.

Even when financial incentives may not be viable, creative compensation can come in the form of new titles and other so-called white space opportunities — opportunities to meet clients' upspoken needs — that will enable lawyers and staff alike to differentiate themselves in the firm's business development efforts.

Jennifer Simpson Carr is director of business development at Furia Rubel Communications Inc.

Timothy B. Corcoran is principal at Corcoran Consulting Group LLC.

Mike Mellor is chief marketing and business development officer at Pryor Cashman LLP.

[1] https://www.furiarubel.com/podcasts/driving-diversity-inclusion-and-intentionality-in-legal-with-pavani-thagirisa-associate-gc-vp-and-global-head-of-legal-for-esg-at-sp-global/.