

THE SECTOR SPECIALISATION SURVEY

Lawyers nowadays claim to specialise in particular industries almost as often as in particular practice areas. But are firms really taking this strategy seriously? And what are the risks – and rewards – of industry specialisms? **RAV CASLEY GERA** reports.

Awag once said that a specialist is “someone who knows more and more about less and less.” The law firms who responded to our Sector Specialisation Survey would beg to differ. All but two of the 55 responding firms claim to have implemented a strategy of industry specialisation, bringing lawyers together across practice areas to focus on particular client industries.

It’s a recent occurrence. As table 2 shows, most firms have introduced formalised industry sectors only in the last five years. “A fair few firms tried this approach in the 1990s, but didn’t get much traction, because often the investment wasn’t there,” comments consultant David Temporal, of Temporal Tanja Consulting. “But gradually, people have begun to realise this is a way for firms to differentiate themselves in an increasingly crowded marketplace.” The downturn of the early 2000s, which forced many firms to think about their place in the market, surely helped spur the spread of the practice.

So with the majority of the UK’s leading law firms pursuing this approach, who is taking it seriously and who is just, as one observer puts it, “paying lip service to the idea?” And with the market rushing to implement this strategy, are there any risks firms should be aware of?

‘Clients see the world through an industry perspective’

The most common reason cited by firms for pursuing a sector approach is that modern clients demand detailed industry knowledge. “Clients see the world through an industry,

rather than a practice area perspective,” points out Michael Frawley, UK managing partner of Taylor Wessing. “We need to see the legal landscape through our clients’ eyes.” Firms mentioned a host of areas where industry knowledge can be of use, from identifying potential future opportunities to understanding clients’ reasons for engaging in a transaction.

Of course, not all clients want their lawyers to be all-round business advisers. But deep sector knowledge can help a firm deal with purely legal instructions, too. “Some clients do say, I’m the businessman, you’re the lawyer, just stick to the law, and leave the commercial decisions to me,” admits Howard Morris, chief executive of Denton Wilde Sapte. “But those same clients may run out of patience very quickly if their lawyers don’t understand the reasons why they want to do a deal or handle a case a certain way.” As a result, clients have become more and more expectant of deep industry expertise from their law firms: one firm estimated that 80% of their clients prefer this approach.

Of course, with knowledge comes opportunity. A proper understanding of a client’s industry

What do we mean by ‘sector specialisation’? To an extent, we left this up to the firms to interpret. Most firms agreed, however, as to the basic nature of such schemes – firms must identify particular industry sectors from which they draw – or wish to draw – their client base; and must bring together, in some formalised way, partners who act for clients in particular industries, regardless of their practice area. Most firms identify partners to act as ‘heads’ of each sector and co-ordinate activity. Of course, all firms have some departments doing industry-specific work – real estate, energy or insurance, for example. But the aim of sector groupings should be to draw together all the kinds of work firms do for clients in a particular industry.

Getting lawyers from different practice areas together, noted some firms, has its own benefits. “People who might not normally talk to each other a lot suddenly do, and a creative spark comes out of that,” points out Lesley Lintott, chief executive of south-eastern firm Penningtons. “Property lawyers all talking to each other might see things one way, but get them talking to corporate lawyers and new ideas for their clients will be generated.”

Table 1: Larger firms have more sectors, but mid-size firms also have several

Turnover rank	No. sectors
1-20	11.3
21-40	8.3
41-60	8.5
61-80	8.6
81-100	5.3

“People have begun to realise this is a way for firms to differentiate themselves in an increasingly crowded marketplace.”

David Temporal, consultant, Temporal Tanja Consulting

can help firms identify potential work to pitch for. The aim, as one firm neatly put it, is to know “what are the six things that keep CEOs in this industry awake at night? And how can we help them sleep better?” In addition, several firms noted, detailed industry knowledge provides a useful opportunity for differentiation in a crowded marketplace. It’s a particularly attractive proposition for the large City firms that have struggled in recent years to carve out a space in the market between the magic circle and the often-cheaper nationals (see case study, p.37).

Firms cited one other advantage to a sector approach. Following the rush by UK firms to internationalise in the 1990s, firms have found cross-practice sector groups a valuable tool in integrating their diverse operations. “Few practice areas are truly global, because each jurisdiction has its own laws which colour people’s thinking,” argued one global head of business development at a leading firm. “But a sector approach forces you to compare the leading clients across jurisdictions, so there’s a natural orientation towards thinking globally.”

“A global approach to the telecoms sector” certainly sounds more easily achievable than

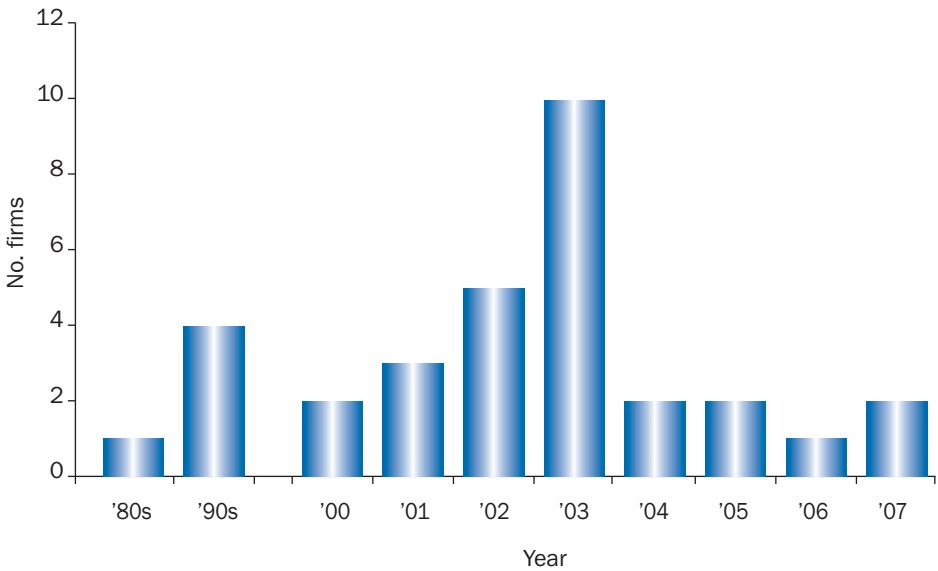
Table 2: Number of sectors per firm

No. Sectors	Firms	No. Sectors	Firms
2	Brabners Chaffe Street	9	Eversheds
3	Ashfords Reynolds Porter Chamberlain Speechly Bircham	10	DLA Piper Field Fisher Waterhouse Salans
4	Bevan Brittan Davies Arnold Cooper Denton Wilde Sapte Hill Dickinson Ince & Co Olswang Pannone & Partners Shepherd & Wedderburn Walker Morris	11	Cobbetts Farrer & Co Finers Stephens Innocent Lovells Pinsent Masons Stephenson Harwood
5	Norton Rose Penningtons Solicitors TLT Weightmans	12	Holman Fenwick & Willan Taylor Wessing
6	Beachcroft DMH Stallard Dundas & Wilson Irwin Mitchell Morgan Cole	13	Charles Russell Freshfields Bruckhaus Deringer Manches
7	Bristows DWF Martineau	14	Blake Lapthorn Tarlo Lyons Burgess Salmon
8	Clarke Willmott Osborne Clarke SJ Berwin Watson Farley & Williams	15	Berwin Leighton Paisner
		16	Freeth Cartwright
		17	Browne Jacobson Herbert Smith
		18	Clifford Chance
		20	Linklaters

“Few practice areas are truly global. But a sector approach forces you to compare the leading clients across jurisdictions, so there’s a natural orientation towards thinking globally.”

Global head of business development at a leading firm

Table 3: Date when formal sectors policy introduced



The latecomer: DLA Piper



Steven de Keyser, DLA Piper

Mid-market behemoth DLA Piper only introduced a formal sector scheme in early 2007. “We’ve always had partners specialising in particular industries,” explains the firm’s “strategic projects director”, Steven de Keyser. “A year and a half ago we made it very visible, enabling people in a sector to communicate in an organised way.”

Despite the firm’s size and broad range, it didn’t pursue the Linklaters route of attempting to arrange all its clients into one sector or other. Instead, it selected ten areas to start with, with the intention of widening the list later on. “When you want to do something really well, it’s better to start in a more focused way. We’re active in all sectors, but for this focused approach we’ve decided to start with a limited number of areas where we’re really operating on a global basis and we have people who are enthusiastic to get involved. As soon as we’re sure it’s working, and adding value for clients, we’ll broaden it out to other areas.”

All but two of the sectors are intended to operate on a global basis. Although the firm recently decided against fuller financial integration, de Keyser – who sits on both the firm’s executive boards, for the US and elsewhere – aims to embed the sectors on both sides of the Atlantic. “At the moment we’re working on making sure whatever we do in these sectors we do on a global basis.”

In fact, de Keyser hopes its sector scheme will help integrate a firm that grew at astonishing speed. “The one thing that brings people together is clients. You build a global firm by having clients who are interested in us as a firm that works well together, and the way people integrate is by working together for common clients. Operating as a sector, learning more about clients, brings people together around something tangible. There’s no

training that can integrate people as effectively.”

Of course, with 3,700 lawyers, the firm can hardly get everyone together in person on a regular basis. “We have different ways of making sure people communicate,” says de Keyser. “Whenever we get partners and lawyers together across offices we make sure there’s a sector element. But we also have well-developed electronic resources; our intranet lists a lot of information about each sector: who our key clients are, what we do for them, what their concerns are. We encourage the lawyers themselves to contribute, and the young ones, in particular, find it a very effective way of communicating.” In addition, the firm holds regular global teleconferences partners and associates can dial in to.

The firm’s merit-based remuneration further complicates matters. Lockstep systems encourage partners to invest time in spreading sector know-how or attending industry events on behalf of the firm, by tying each partner’s pay to the welfare of the whole firm. In a merit-based system, however, sector contribution must be explicitly included in performance assessment. “Our performance system actually helps us embed the sector strategy. I report each year on the progress of the sector strategy, and identify the people who have made a difference. Through the performance management system we can demonstrate to people that their contributions to the sectors are valued.”

“We wanted to make sure we only focused our efforts on those sectors where we had genuine expertise, so we dropped a number of sectors where we had no real presence.”

Andrew Deakin, business development director, DWF

“a global approach to employment law.” Of course, smaller foreign offices mean a blurring of the lines between sectors. “You have to take things step by step,” points out Andrew Skipper, head of the corporate and commercial division at Lovells (see case study, p.37). If I went to our Moscow office and said I want to matrix you all into practices and sectors, they’d have to chop themselves up into little bits.”

“We were what we were”

Law firms report having taken different approaches to choosing their sectors when they formalised their sector specialisation schemes. Most began with an analysis of their existing

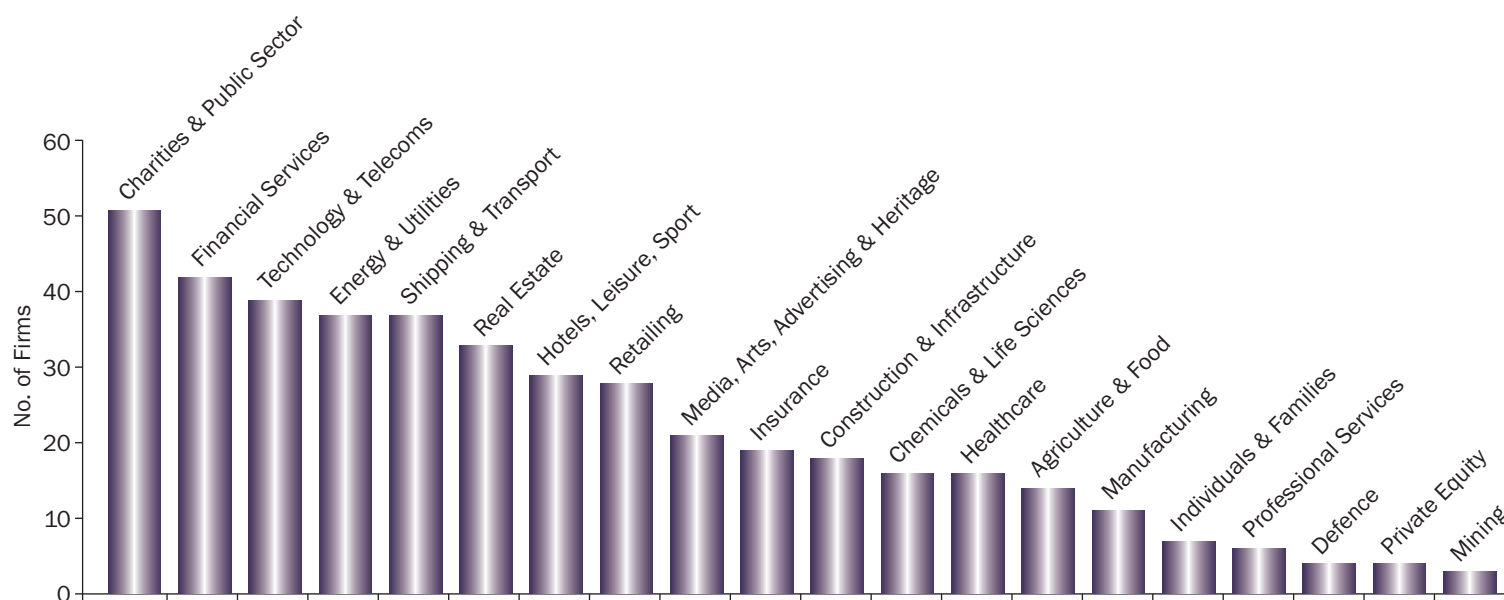
business – and often found it already dominated by clients in a few key areas. “We looked at our current business in 2002, and found that 90% of our business came from four areas,” explains DWS’ Howard Morris. “So they naturally became our sector focus. Strategically, we really had no choice – we were what we were.”

Other firms – whose work comes from a broad range of industries – faced the choice of focusing on a few areas for particular attention, or introducing formal sector groups across the whole business. Eversheds and DLA Piper, for example, both pursued this approach, selecting a few industries from their broad range of clients in which to specialise initially and

adding further areas over time (see case study, p.32).

For many firms, the first task was to whittle down a host of informal groups into a manageable list to be properly implemented. “Four years ago we set out to revisit our sector strategy,” recalls Andrew Deakin, business development director at DWF and the man behind the national firm’s sector scheme. “We wanted to make sure we only focused our efforts on those sectors where we had genuine, tangible expertise, so we reduced the list and dropped a number of sectors where we had no real presence.” Others, however, take the opposite approach. Linklaters – the firm with the largest number of sectors in

Table 4: Number of firms with stated specialisation in each industry sector



“Firms can be tempted to have a wide range of sectors. It’s better to start with a smaller number of sectors, and learn from that experience.”

Tony Williams, principal, Jomati Consulting

Surprising sectors

The bouncing baby of the legal world, as far as industry specialisations are concerned, is renewable energy. Five firms mentioned it as their most recent addition to their roster, most having added it in the last year. Sectors ranged from the broad – Freshfield’s ‘manufacturing and service industries,’ for example – to the hyper-narrow: Farrer & Co has a group dedicated to museums and galleries, while south-eastern firm Manches specialises in ‘technology transfer and university spin-outs.’

The award for quirkiest specialisation goes to pensions boutique Sacker & Partners. With just 26 partners, and a narrow focus on one practice area, the firm has unsurprisingly not initiated a full-blown sector scheme. But it does have a department dedicated to ‘Stolf’ – services to other law firms, to handle the firm’s unusually high level

of referral work from firms without significant pensions expertise. The group contributes 10% of the small firm’s revenue.

And finally, David Kilduff, partner at Walker Morris, heads perhaps the profession’s least attractive-sounding specialisation, Waste. Having developed out of the PFI contracts work done in the firm’s commercial team, the group aims to “ensure an integrated approach to the procurement, scoping and delivery of waste management contracts” in “a broad variety of waste technologies including landfill sites, incinerators, energy from waste, fly-ash processing [and] MBT plants.” The firm has, its website points out, “been heavily involved in the waste sector for many years.” One might even say they’re up to their necks in it.

our survey, 20 – opted to formalise all its client industries at once (see case study below).

Consultant Tony Williams, of Jomati Consulting, believes that, as a rule, a smaller number of sectors allows a deeper focus. “Firms can be tempted to have a wide range of sectors, to try to include as many parts of the firm as possible. But I’d argue the criterion should be: where do we really have something to offer, in terms of new ideas? Where are we really prepared to invest to get to know the industry better? It’s better to start with a smaller number of sectors, and learn from that experience.”

Smaller firms may not have the luxury of focusing on sectors where they already have significant expertise. City firm Speechly Bircham recently added motorsports as a “mini-specialism”, based

A magic circle giant: Linklaters



For firms as vast as Linklaters, a sector scheme is less about focusing its place in the market and more about imposing order on a huge number of clients. “No-one can take up a mandate in the mining sector without checking it with me or my co-heads first, so it’s been a huge help in avoiding conflicts,” explains sector head Charlie Jacobs. The system also helps ensure new opportunities are being acted upon. “When there’s something happening in the market, such as a bid, we’ll check whether we’re already involved, and if not, where we could get involved, and ensure that’s pursued – on a global basis. If an investment bank or a mining company called us at any stage I would know what mining jobs we were doing all over the world, who we were acting for, weren’t acting for, what we can pursue, what we shouldn’t pursue. It’s been a huge help in driving the business forward in a co-ordinated way, making sure we don’t trip over ourselves.”

Assigning sector heads to this role means dividing all the firm’s clients up into one sector or another, hence the firm’s list of 20 sectors – the longest of all the firms we surveyed. “We’re stronger in some sectors than others, of course, and some are a bigger priority than others,” admits the firm’s global business development head Ori Weiner. “But we try to have a minimum level of thinking

across all sectors to avoid conflicts and to think through the right level of investment.”

Rather than expecting the majority of partners to specialise in one sector, Linklaters expects sector heads to co-ordinate the work being done in each industry – and act as repository for, and disseminator of, sector knowledge. “The problem with having a big crowd is that it’s as quick as its slow-moving part,” points out Charlie Jacobs. “You can overdo it a bit. Not everyone needs to know everything. With email, you can give people a heads-up, saying I saw this has happened, have you followed it up? It enables us to move quite quickly to respond to market events.”

This essentially defensive and opportunistic approach to sectors is unlikely to embed a firm as thoroughly in an industry as a more selective and deep-seated system. Indeed, it’s unlikely such a close association would act to Linklaters’ benefit, given the broad range of clients it aims to work for. But, says Ori Weiner, the firm has secured mandates on the back of its sectoral expertise. “We’ve certainly been told by clients that we won mandates because we brought people to the meeting who spoke the language of the client’s business.”

“I’d be too bold to say that everything we do is for clients in one of these sectors, but a very large majority is”

Peter Martyr, CEO, Norton Rose

largely on the hire of one partner with expertise in the area, Ian Timlin. “We’re not of the size where you have ten or 20 partners sitting in sector meetings, it’s more like two or three people sat around a table going over things,” explains Andrew Pincott, the firm’s head of business development. “Sometimes just one partner can take the lead, and their experience and enthusiasm can be quickly communicated to other people and create its own momentum.”

A further question facing firms seeking to implement a sector strategy is: do we want to work exclusively for our chosen industries? For some firms, the answer is, more or less, yes. “I’d be too bold to say that everything we do is for clients in one of these sectors, but a very large majority is,” says Peter Martyr, CEO of Norton Rose (see case study, p37). Howard Morris estimates that just under 90% of Denton Wilde Sapte’s work is for clients in their chosen industries.

But most saw their sectors simply as priorities for investment, not as the only game in town. As Andrew Skipper puts it, “I tell partners to think of a sector as a focus, not a box. We’re talking about very senior partners, with an existing roster of clients, not always in the same industries. I’m not stupid enough to go to those clients and say they can’t have their favoured partner working for them any more.”

Getting it right

“I suspect that the majority of firms claiming to have a sector specialisation scheme are simply paying lip service to it,” claims Tony Williams. “A few really want to spend time – and money – getting to know their core sectors. But for the rest it’s just a PR badge.” So what marks out those firms that takes their sector scheme most seriously?

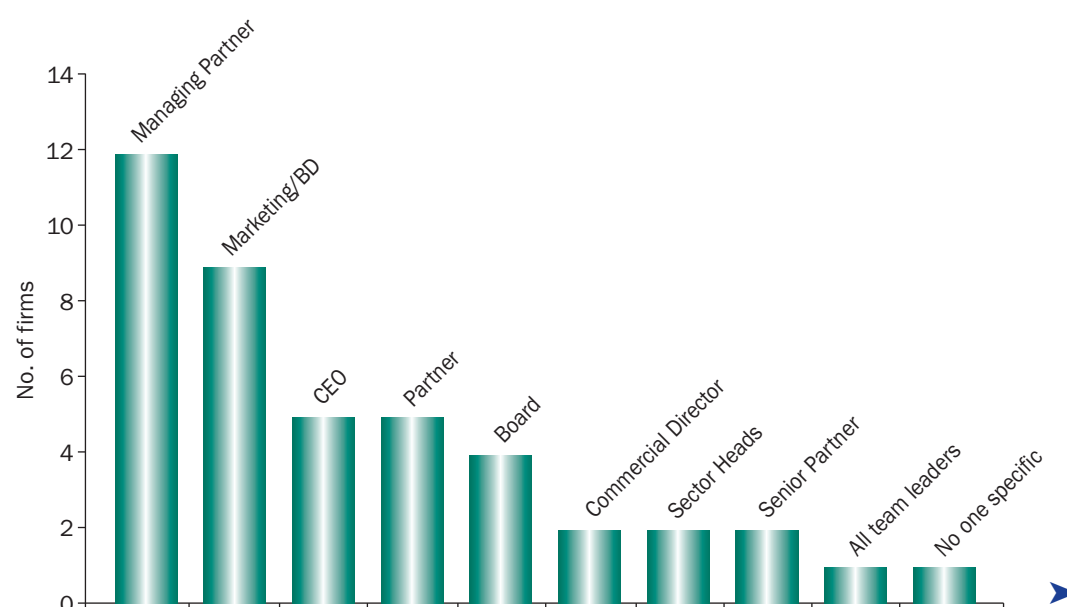
A lot depends on the firm’s reason for running the scheme. A sector specialisation scheme can have real advantages for clients, as their lawyers

are better informed and more likely to spot potential pitfalls. But many firms interviewed saw their sector scheme almost entirely in terms of business development. The common attitude is that, as one firm put it, “the practice areas are the producers, the sectors the salesmen.”

As table 5 shows, just under a quarter of firms told us that business development or marketing managers have overall responsibility for their sector scheme. And even partners can see sector schemes purely in terms of business development. One sector head left *Client Report* a long voicemail describing their role identifying new opportunities in the market and assigning partners to respond to them – but said nothing at all about co-ordinating or building their firm’s knowledge in the area.

The firms who embed their sector schemes most thoroughly recognise it must be about more than simply identifying opportunities to sell the firm. “If a sector scheme is purely about business development, it will most likely fail,” argues Tony Williams. “You have to invest the time and money to really get to know the industry.” Get it wrong and you risk angering your clients. “The message I hear again and again from general counsel is, ‘if you really know the issues facing our industry, fantastic. But if you claim to be an industry expert, and the people we deal with don’t know their stuff – the regulatory issues facing us, the potential for major transactions in our sector, and so on – we’ll be furious.’” Though a deep understanding of a sector can and should lead to more work for those clients, the knowledge has to

Table 5: Who is in charge of sector strategy?



“If a sector scheme is purely about business development, it will most likely fail. You have to invest the time and money to really get to know the industry.”

Tony Williams, principal, Jomati Consulting

come first. “By all means, it can be a way of driving business. But that must be a secondary priority to really getting to know a sector and building a reputation as experts in it.”

Of course, every firm has partners with detailed knowledge of key industries – the trick is to spread that knowledge throughout the firm. “Usually when we’re doing a complex deal in the sector, all the partners in all the practices are involved, so there’s constant communication,” explains John Sipling, head of the hotels group at Berwin Leighton Paisner. “But to maintain people’s knowledge of what’s going on in the field between transactions, the key is regular meetings.” Sipling’s team meets at least quarterly, and often monthly, to exchange ideas and plan the firm’s participation in industry events. But this is surprisingly rare. Fewer than a quarter of the firms we quizzed expect the partners in their sectors to meet at least once a quarter; only a handful meet as often as once a month. Many firms make do with a sector breakout session at the annual partners conference.

Why do so few firms bring partners together regularly along sector lines? After all, practice areas meet weekly in many firms. Some fear

‘meeting fatigue’. “The danger is that you end up with a large group of partners in a room, ticking boxes,” argues James Huckle, commercial director at Homan Fenwick & Willan. His firm hosts monthly meetings with a ‘core team’ of two or three partners for each sector, and disseminates information to other partners electronically. “It’s better to have a core of a few people pushing it forward, doing the essential things, and bring other people in when they’ve got something to add.” Of course, large international firms can’t get everyone together physically all that often. But, say firms, it needn’t be an obstacle. DLA Piper’s life sciences sector group hosts a monthly teleconference and the firm says that “over 200” lawyers often dial in to exchange information.

But it’s not enough simply to learn from clients in key sectors – the most effective firms teach, too. Client training is an integral part of some firms’ sector schemes. Denton Wilde Sapte’s director of training, Cathy Wilcox, spends “around 40%” of her time organising training events for clients, according to the firm. “Cocktail parties and receptions are fun to do, but the stuff that clients really appreciate is training tailored to their needs,” says Howard Morris. “For example,

Measuring success

One challenge that few firms felt they had fully resolved was how to measure the success of their sector strategy. The primary measure of success in the growth of law firm business is, of course, billings. But these are tracked primarily by practice area, and not all firms have mastered the art of tracking by sector as well. “We’ve seen increased revenue in recent years, but there’s no clear way of knowing how much that’s down to the sector scheme,” says one Lovells partner. “The proof will hopefully come out in client feedback over the course of the next few years.” Taylor Wessing has a hybrid system. “We do track sector billings as well as practice areas, but it’s not an exact science,” says chief executive Michael Frawley. “We can see whether income from a given sec-

tor is increasing or decreasing.” Several firms said that planned software upgrades would make better financial tracking of sectors possible. CMS Cameron McKenna’s new managing partner, Duncan Weston, has just introduced firm-wide performance tracking by sector as well as practice area.

While it may not be straightforward to track all billings at sector level, firms noted that sector strategies back up existing efforts to increase work for target clients. “The first thing we ask is: are we acting for the top two or three clients in this industry?” explains Laurie Robertson, business development director at Clifford Chance. “Then if so, we aim to increase the share of their work we do.”

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Howard Morris, chief executive, Denton Wilde Sapte

we run a course all over the world called ‘energy fundamentals’ – it’s an introduction to the way the energy business works, aimed at non-specialist members of energy clients.” The course focuses on the business of the industry – “starting right at the beginning, with the basics of oil and gas” – rather than legal issues.

Sectors can prove a useful way of co-ordinating client alerts, seminars and the like. Nothing’s sure to annoy a client faster than receiving one briefing on a key regulatory issue from a firm’s corporate team, and another from its dispute resolution

team. But some firms go beyond briefings to genuine ‘thought leadership.’ Clifford Chance, for example, helped establish MiFID Connect, an alliance of City trade associations set up to ease the introduction of the new EU-wide financial regulation regime. The guidelines drafted by the firm were confirmed by the FSA, meaning that the regulator will keep them in mind when assessing compliance with the new rules. “Clients really appreciate it when you offer them something useful, not just a glass of warm wine,” points out Simon Gleeson, partner in CC’s financial

The “chasing pack”: Norton Rose and Denton Wilde Sapte



Peter Martyr, Norton Rose

Much has been written in recent years about the so-called “mid-tier squeeze,” with large City firms seeing their place in the market eroded by the magic circle, with its strong hold on the top corporate and finance work, and the national firms with their lower cost bases – and, subsequently rates – for commercial work. Norton Rose and Denton Wilde Sapte have made sector specialisation central to their efforts to carve out a place in an ever-more-crowded market. “We’re honest enough to say that while we’re a good commercial firm, we don’t claim

to be the natural choice in all matters,” admits Howard Morris, chief executive of Denton Wilde Sapte. “We accept we’re not a Slaughter and May, great at apparently everything. But in the four sectors in which we specialise, we ought to be the natural choice.”

For DWS, introducing sector specialisms was largely a case of formalising the existing focus of its work. Norton Rose, however, faced the task of reducing a long existing list of specialisms. “It was a process of logical reduction,” explains CEO Peter Martyr, who set up the sector scheme – known in the firm as “headlights” – soon after taking up the position in 2002. “We had an array of industry groups already, but we needed something more – a system that would overlay the practice areas and become part of the firm’s structure. You can be specialist in 15 industries, but to get the structure to work properly, you need something simple.” For the most part, existing groups were merged into broader groups. “Where previously we had groups for aviation, shipping, rail and more, now we have transport. It was built on facts – those were the things we were good at.”

Embedding the system properly, says Martyr, meant more than bringing people across practices together for meetings. The firm’s practice groups are subdivided into teams for each sector, which mostly sit together and function as one unit. “There’s a litigation team dedicated to transport, three banking teams largely working on transport, a corporate team that largely works on transport matters, and so on.” The firm’s recent move to new

premises helped it embed the headlight approach further. “We’ve moved people in different practice groups to be on the same floor as those from other groups who are working with the same headlight.” Such a practice does have limits, however. Norton Rose’s system includes a handy catch-all, a fifth headlight – “international corporate finance” – enabling it to pool pure corporate specialists together to work in all industries.

By focusing their energies on key industries, the firms are tacitly acknowledging that they’ll never join the magic circle or be considered all-round top-end advisers. But close association with a small number of sectors has enabled both firms to obtain higher-value work that might have otherwise eluded them. DWS acted this year on the London listings of Eastern European energy companies Cadogan Petroleum and Arawak Energy. “They wanted us, and the investment banks wanted us, not because we have the largest corporate department, or because we’re on the top of the listings, but because it’s a kind of work we’re absolutely specialised in, in a geography where we’re very strong.”

In addition, points out Peter Martyr, the system has helped get all Norton Rose’s offices – recent acquisitions when the headlights were set up – collaborating on similar work. “It’s enabled us to get our network working effectively by getting the other offices working on similar matters for a similar kind of clients. It means the offices are tied in more closely to the centre, but also that they’re more able to exchange work with each other.”

“I may hold myself out as a hotels lawyer, but ultimately I’m a contracts lawyer. My skill set is different from the other hotels partners. It’s legal skills that are the lifeblood of this business.”

John Sipling, partner, BLP

institutions group. “Working with a range of clients gives law firms a unique perspective on the way industry and regulation work; it would be a shame not to put that insight to good use.”

Ultimately, it is sector heads who must ensure their sectors are more than just a PR exercise. But the way firms structure their schemes can help. For example, partner promotions and business development budgets are all typically managed by practice departments. If sectors aren’t plugged in to the decision-making process, they can get forgotten. “The practices have the resources, while the sectors have the feel for the market and clients’ needs in the particular sector,” says Nicholas Bliss, head of the infrastructure and transport sector group at Freshfields. “We report directly to [chief executive] Ted Burke, and can say when we really

could do with another person in a particular place. There’s an interface between the operationally-focused practices and the industry-focused sector groups. We work closely together.”

One sure-fire way to boost sector understanding, of course, is to hire a partner with experience in the relevant industry. Walker Morris, for example, recently recruited three partners to their IP group with postgraduate degrees in chemistry and bioscience, while Berwin Leighton Paisner recruited the former general counsel of Air Canada, John Baker, to head its aviation group.

Some firms have gone as far as actually taking lawyers out of their traditional practice groups and sitting them together. Norton Rose’s London office boasts a dedicated team bringing together corporate, IP and outsourcing partners dedicated to the TMT sector. Lovells’ corporate partners

Corporate takes the lead: Lovells



Andrew Skipper, Lovells

Lovells has had a reputation in recent years for being somewhat slower to innovate than its rivals. When it comes to sector specialisation, it’s been characteristically cautious. Formally, its sector scheme only exists in the firm’s corporate department, the work of Andrew Skipper, the commercial partner who heads up the firm’s commercial and corporate division. “Lovells has historically had a very good reputation in certain industries – for example, [now senior partner] John Young’s corporate insurance practice,” he points out. “Getting completely embedded into an industry allows you to pitch for the highest-end work.” This is a vital goal for Lovells’ corporate practice.

In addition, Skipper felt, a sector approach can help organise a large division. “Most individual partners require some sort of focus, beyond just being a transactional lawyer or a commercial lawyer. Whether it’s a sector, or a particular client, you need something to pull people together into smaller teams so they can motivate each other better.” Although practices like capital markets and competition still exist, partners working in the same sector “tend to be seated roughly in the same area,” according to partner Richard Lewis.

The groups are helpful for keeping up to date on issues in the relevant industries. But, says Lewis, they also help spread technical expertise. “Some of the areas are more technically complex than others, but in financial institutions, for example, education goes on to ensure that the common skills for undertaking transactions in that sector are available.” And of course, there’s a BD element. But are the benefits of the system limited to the corporate department? “We link in with other areas of the firm as appropriate,” explains Richard Lewis. The IP team is heavily involved with the life sciences sector, for example.” Head of real estate Bob Kidby has his own system, dubbed ‘friends and family’, to bring in partners from the rest of the firm active with real estate clients. “We have our real estate meeting every Monday, and our ‘friends and family’ from corporate, tax, banking and so on.” A proper knowledge of the sector, says Kidby, is *de rigueur*. “We test them to see whether they’ve read last week’s Property Week or not. You can’t pretend to understand the business. A client doesn’t care if you’re a property partner or a corporate partner or a tax partner: they want to talk about their business, and they want someone who understands their business.”

“The worst thing we could have done after the tech crash would have been to walk away from the sector. You have to stay committed to a sector in the good times and the bad.”

Peter Clough, partner, Olswang

are “loosely” arranged into sectors. So should sectors simply replace practice areas as the main way firms are structured? The unanimous message from responding firms was: no. “Practice areas ensure that service ideas, innovations and best practice can be easily transferred between clients and sectors,” pointed out Speechly Bircham. Lovells considered moving its corporate lawyers specialising in real estate into its property department, but ultimately opted to keep them where they were. Even Norton Rose maintains practice areas as its actual departments, but breaks them up into teams specialising in each sector. “I may hold myself out as a hotels lawyer, but ultimately I’m a contracts lawyer,” argues BLP’s John Sipling. “My skill set is different from the other hotels partners. It’s legal skills that are the lifeblood of this business.”

‘The worst thing we could have done would have been to walk away’

So, with varying levels of thoroughness, the majority of large commercial law firms operate some sort of sector speciality scheme. But are there any risks to this approach?

One clear potential pitfall is a sectoral downturn. After the dotcom crash in 2001, for example, firms such as Osborne Clarke and Olswang, which had focused heavily on the technology sector, faced a difficult process of adjustment. “It made us realise that you have to have a spread of sectors, rather than over-committing to one or two,” explains Peter Clough, current head of Olswang’s technology sector. “We’ve made an effort to create a wider portfolio of sectors for the firm.” Olswang now has four industry specialisms. However, the quick rebound of the

A growing firm: TLT



David Pester, TLT

In 2000, Bristol’s TLT had a daunting task ahead of it. Freshly created by a merger of two small but respected local firms, it now aimed to propel itself into the top 100 firms. But its base was already crowded with strong firms, from blue-chip boutique Burges Salmon to tech-specialist Osborne Clarke. “Given our size and position in the market, and being based in one geographic centre, we needed to differentiate ourselves in a cluttered market,” explains the firm’s current managing partner David Pester. “We looked at market trends in the areas we were already working in and asked, without abandoning anything, could we increase our chance of success by focusing investment on certain areas? And we discovered we had a strong footprint in financial services, and one in leisure, and that helped drive our investment decisions.” These became the firm’s first specialisms. Retail, TMT and ‘built environment’ have been added as lesser specialisations since.

The firm had no intention of becoming limited to certain industries, but it recognised the need to focus its energies in order to carve out a stronger reputation. “It was a case of: what do you want to be famous for? Size needn’t limit success, but it does limit the number of areas you can be successful in.”

The firm’s sector scheme resembles a larger firm’s structure in miniature: one or two partners act as sector heads (known as “champions”); annual plans are developed for each sector for business development, and a budget allocated to each for BD activity. But the firm’s small size – its retail sector has just eight regular partners – makes it far easier to get people together. “Clusters of people in the sector groups have regular lunchtime briefings on initiatives in the firm; clients come in and talk about what they’re working on. And people are working together all the time.”

Sector focus is part of the explanation for the firm’s impressive growth in recent years (with over 600 staff, the firm is now the 68th largest in the country by turnover). But Pester emphasises the need for flexibility in a sector system. “We have different competitors in different sectors, so it’s clear this approach is becoming more common. But it’s possible to over-engineer. People can spend a lot of time analysing and organising, but actually the most important thing is to be out there, listening to clients.”

“The firms that are most embedded in an industry will be those who have invested the most in getting to know it. They’re the least likely to cut and run.”

John Sipling, partner, BLP

technology sector, Clough notes, vindicates the sector approach overall. “The worst thing we could have done after the tech crash would have been to walk away from the sector. We stayed active, we kept our office in Silicon Valley, and it earned us credit in the industry that we benefit from now. You have to stay committed to a sector in the good times and the bad.” Indeed, in a sectoral downturn, the firms with the least commitment to a sector are often first to head for the exits. “The firms that are most embedded in an industry will be those who have invested the most in getting to know it,” points out Berwin Leighton Paisner’s John Sipling. “They’re the least likely to cut and run.”

While firms ride out sectoral downturns, other sectors have to take up the slack. Several firms noted that they hoped the continuing strength of the energy sector would make up for any decline in their work for financial institutions clients during the current banking slowdown. And of course, because sectors run across practice lines, they have as much potential for counter-cyclical business as a firm itself. “The insurance market at the moment is extremely busy, which is helping spur our financial institutions group,” notes Peter Martyr, CEO of Norton Rose.

A second clear risk of sector specialisation is conflicts. After all, seeking to act for the leading clients in an industry often means seeking to act for bitter rivals. Clients may relish their lawyers developing extensive expertise in their industry, but not necessarily the thought of seeing them on the other side of a dispute – as Linklaters has recently been reminded (see feature, p7). Firms must tread carefully as they expand their presence in a sector to ensure they don’t create problems.

In fact, though, many firms told us their sector scheme helps them spot and prevent potential conflicts. “It’s been a huge help in making sure we don’t trip over ourselves,” says Linklaters’ Charlie Jacobs. The firm’s sector plans identify priority clients in the area, and all new mandates in that industry are checked through sector heads (see case study, p.34). “We noticed when we

introduced this way of working five years ago,” adds global business development head Ori Weiner, “that conflict checks on new instructions that used to take three days suddenly only took three hours.”

Ultimately, as David Temporal argues, the potential for firms to carve out a strong reputation may outweigh any risks sector specialisation carries. “In a competitive market, the bigger risk is perhaps not to do it,” he argues. “The winners will be those who are boldest.”

Horses for courses

It seems there is more than one type of sector scheme. For the largest international firms, organisation by sector can be a useful way of planning BD activity and avoiding conflicts. But with a few exceptions – Clifford Chance’s close relationship with the banking sector, for example – such schemes don’t amount to “specialisation” in the strict sense. The brand of the best-known firms is so strong that they don’t need to limit themselves to particular industries.

For the so-called ‘mid-tier’ firms, however, sector schemes offer an opportunity to carve out a top-flight reputation in particular areas. These schemes typically have fewer groups, but are some of the deepest embedded. Finally, for small, but ambitious firms, sectors can offer a wedge with which to push into the next stage of the value chain, with just one or two partners taking the lead.

Of course, though the majority of firms nominally run a sector scheme, not all partners have to build their practice along sector lines. Those closely associated with a particular practice – be it top-level M&A, intricate financings, or big-ticket litigation – have little to gain from being associated with a particular industry. “Nobody has to join a sector – we see it as an opportunity for lawyers to develop their careers, if they want to,” explains Steven de Keyser, strategic projects director at DLA Piper.

“But we’ve had great interest in it. I expect the vast majority of partners will be involved in a sector within a few years.” ■

“We noticed when we introduced this way of working five years ago that conflict checks on new instructions that used to take three days suddenly only took three hours.”

Ori Weiner, global head of business development, Linklaters

Table 6: Law firms and their sector specialisations

Law Firm	Sectors specialised in
Ashfords	Energy & Utilities, Marine & Transport, Sport & Leisure
Beachcroft	Consumer Goods & Services, Financial Institutions, Health & Public Sector, Industrial Goods & Services, Real Estate, Technology & Telecommunications
Berwin Leighton Paisner	Betting & Gaming, Charities, Defence, Energy, Financial Services, Healthcare, Hotels & Leisure, Insurance Companies, Outsourcing, Real Estate, Regeneration & Public Sector, Retail, Technology, Transport, Water & Utilities
Bevan Brittan	Built Environment, Commerce, Government & Education, Health
Blake Lapthorn Tarlo Lyons	Agriculture, Aviation, Charities, Construction & Development, Finance, Health & Care, Leisure, Marine, Professional Services, Property Investors, Public Sector, Rail, Recruitment, Technology
Brabners Chaffe Street	Football & Sport, Property Development
Bristows	Charities & Institutions, Consumer Products, Financial Services, Industrial Markets, Life Sciences, Real Estate, Technology Media & Telecommunications
Browne Jacobson	Biosciences, Charities & Not-For-Profit, Countryside, Education, Emergency Services, Financial Services, Food & Drink, Health, Insurance, It & Telecoms, Local & Central Government, Manufacturing, Professional Services, Retail, Social Care, Sport & Leisure, Transport & Logistics
Burges Salmon	Aerospace & Defence, Agriculture, Charities & Social Enterprise, Construction & Engineering, Distribution & Logistics, Environment, Energy & Utilities, Financial Services & Products, Food & Drink, Industrial, Pensions, Public Sector, TMT, Transport
Charles Russell	Banking, Charities & Not for Profit, Clinical Negligence, Construction & Engineering, Education, Energy & Natural Resources, Healthcare & Regulatory, Media & Entertainment, Real Estate, Recruitment/Staffing Sector, Rural Business & Landed Estates, Sport & Leisure, Technology & Telecoms
Clarke Willmott	Agriculture & Food, Education, Insurance, Private Wealth, Real Estate, Renewable Energy, Retail, Sport & Leisure
Clifford Chance	Airlines & Aircraft, Automobiles, Communications, Construction & Building Materials, Consumer Goods & Retail, Energy & Utilities, Financial Institutions, Funds, Gaming, Healthcare, Hotels, Infrastructure, Mining & Metals, Oil & Gas, Real Estate, Sports, Telecommunications, Transportation Equipment
Cobbetts	Advertising & Marketing, Banking, Developers, Education, Healthcare, Hospitality & Leisure, Housing & Regeneration, Mobile Telecommunications, Public Sector & Government, Retail, Transport & Infrastructure
Davies Arnold Cooper	Construction, Insurance, Pharmaceutical, Real Estate
Denton Wilde Sapte	Energy, Financial Institutions, Real Estate & Retail, Technology
DLA Piper	Aerospace & Defence, Banking, Energy & Water, Hospitality & Leisure, Infrastructure, Insurance, Life Sciences, Public Sector, Shipping, Technology
DMH Stallard	Banking & Finance, Developers & Investors, Housebuilders, Public Sector & Regeneration, Retail, Technology
Dundas & Wilson	Energy & Utilities, Financial Services, Government & Public Services, Life Sciences, Real Estate, Technology
DWF	Automotive, Education, Food, Legal Expenses Insurance, Public Sector, Resourcing, Retail & Leisure
Eversheds	Central Government, Education, Energy, Financial Institutions, Food, Healthcare, Local Government, Retail, TMT
Farrer & Co	Agricultural Estates, Art & Heritage, Banking, Charity, Entrepreneurs & Families in Business, Higher Education, Media, Museums & Galleries, Partnerships, Schools, Sports & Sponsorship
Field Fisher Waterhouse	Energy, Financial services, Hotel & Leisure, Life Sciences and Healthcare, Media & Entertainment, Public sector, Sport, Technology & Telecoms, Retail, Transport
Finers Stephens Innocent	Art & Photography, Charities, Construction, Cultural property, Education, Fashion, Financial Services, Hotels, Media, Property, Retail & Leisure
Freeth Cartwright	Aerospace, Care, Charity, Construction, Education, Food, Insurance, Manufacturing, Printing & Packaging, Public Sector, Rail, Real Estate, Renewable Energy, Retail, Sports & Entertainment, Technology
Freshfields Bruckhaus Deringer	Automotive, Chemicals & Related Intermediaries, Consumer Products & Retail, Energy & Natural Resources, Financial Institutions, Holidays & Entertainment, Infrastructure & Transport, Manufacturing & Services Industries, Pharmaceuticals, Private Clients, Private Equity, Real Estate, Telecommunications

“In a competitive market, the bigger risk is perhaps not to do it. The winners will be those who are boldest.”

David Temporal, consultant, Temporal Tanja Consulting

Table 6: Law firms and their sector specialisations – *continued*

Law Firm	Sectors specialised in
Herbert Smith	Accountancy, Asset Management, Construction & Engineering, Energy & Natural Resources, Financial Institutions, Food & Beverages, Government & Public Sector, Infrastructure / PPP / PFI, Insurance & Reinsurance, Investment Funds, Leisure & Sport, Life Sciences, Manufacturing & Industrials, Media & Entertainment, Real Estate, Retail, TMT
Hill Dickinson	Health, Public Sector, Retail, Transport
Holman Fenwick & Willan	Aviation, Banking, Commodities, Defence & Defence Industries, Insurance & Reinsurance, Logistics, Mining & Minerals, Offshore, Oil & Gas, Ports & Terminals, Power & Utilities, Shipping
Ince & Co	Aviation, Energy & Offshore, Insurance & Reinsurance, Shipping
Irwin Mitchell	Banking & Financial Services, Charities, Insurance, Public Sector, Retail, Utilities
Linklaters	Automotive, Banks & Financial Institutions, Chemicals, Energy & Utilities, Food & Beverages, Forestry, Paper & Packaging, Healthcare, Industrials, Infrastructure & Construction, Insurance, Investment Managers, IT & Business Services, Leisure & Hotels, Media & Entertainment, Mining, Private Equity, Real Estate, Retail, Telecoms, Transport & Logistics
Lovells	Consumer, Energy, Power & Utilities, Financial Institutions, Financial Markets, Industrials, Insurance, Life Sciences, Real Estate, Technology, Media & Telecommunications
Manches	Commercial Technology, Creative & Marketing Services, Education & Research, Finance, Gaming, International Wealth Protection, IT, Life Sciences, Publishing & Media, Real Estate, Retail Business, Social Housing, Technology Transfer & University Spin Outs
Martineau	Banking, Capital Projects, Corporate Finance, Education, Energy, Private Capital & Charities, Real Estate
Morgan Cole	Construction, Education, Energy & Environment, Health, Insurance, Technology
Norton Rose	Energy & Infrastructure, Financial Institutions, International Corporate Finance, Technology, Transport
Olswang	Leisure & Retail, Media, Real Estate, Technology
Osborne Clarke	Energy & Natural Resources, Financial Services, Media/Marketing, Online/Digital, Real Estate, Retail, Technology, Telecoms
Pannone & Partners	Life Sciences, Public Sector, Renewable Energy, Transport
Penningtons Solicitors	Banking, Construction & Development, Hotels & Leisure, Professional Regulators, Social Housing
Pinsent Masons	Banks, Central Government, Construction, Energy, Health, Insurance, Manufacturing, Real Estate, Retail & Leisure, Support Services, Technology
Reynolds Porter Chamberlain	Insurance, Media & Technology, Real Estate & Projects
Salans	Automotive, Banking & Financial Services, Energy & Infrastructure, Entrepreneurs & Private Clients, Healthcare, Hotels & Tourism, Luxury Goods & Retailers, Private Equity & Venture Capital, Real Estate, Technology
Shepherd & Wedderburn	Energy & Utilities, Financial Services, Property & Construction, Public Sector
SJ Berwin	Energy & Natural Resources, Financial Services & Capital Markets, Hotels & Leisure, Media, Pharma & Life Sciences, Private Equity, Real Estate, Retail
Speechly Bircham	Financial Services, Healthcare, Technology
Stephenson Harwood	Aviation, Energy, Financial Services, Hotels & Leisure, Insurance, Maritime, Media, Public Sector, Rail, Real Estate, Telecommunications
Taylor Wessing	Automotive, Climate Change, Construction & Engineering, Environment & Planning, Fashion & Luxury Goods, Financial Services & Institutions, Hotels, Information Technology, Insurance, Life Sciences & Healthcare, Media & Entertainment, Telecommunications
TLT Solicitors	Built Environment, Financial Services, Leisure, Retail, Technology & Media
Walker Morris	Chemical & Life Sciences, Liquor, Regulatory, Waste
Watson Farley & Williams	Energy, Finance & Investment, ICT, Maritime, Natural Resources, Real Estate, Transport, Utilities
Weightmans	Healthcare, Insurance, Local Government, Marine, Police, Retail & Leisure