



Hot Practice Areas: Should Your Firm Expand into Them?

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All legal and other issues should be independently researched.

by Kevin W. Brown

Whether the economy is rolling on all cylinders or stalling like a bad engine, lawyers are always interested in practice areas that are growing and highly profitable. Recent issues of various legal marketplace publications have identified practice areas that are “hot.” These have included:

- Bankruptcy Law;
- Civil Litigation;
- Corporate Governance;
- E-Discovery Practice;
- Environmental Law (Green Law);
- Foreclosure Law;
- Intellectual Property;
- Labor and Employment;
- and Regulatory.

In many cases, these practice areas are growing not in spite of the recovering economy, but because of it. Often these hot practices maintain a healthy growth rate, while at other times they quickly slow down as the market changes. Taking advantage of the opportunity may be a matter of timing not only in that respect, but also in terms of establishing a strong foothold before too much competition jumps in.

So, you may ask, should your firm develop a practice group in one or more of these areas? Will it be a home run or will it bankrupt your firm?

Since there are numerous risks involved along with the potential payoff, at a minimum, you’ll want to address these questions. . . .

Legal Management Issues

From an operational perspective, there are

myriad issues to address. Some of the most common include:

- Does the new practice area conflict with any other existing practice area(s)?
- Is it complementary to existing practices?
- Will it affect your malpractice insurance?
- Do you have attorneys with adequate skills for the new practice area, so that it will be delivered at the same level of expertise?
- Will you need to bring in new attorneys to the firm?
- Will there be any negative reaction by your clients?
- Is your firm's culture conducive to the new practice area?

All of these questions deserve a significant amount of partner time because of the resources required and the risks involved.

It is easy to say “no” to opportunities when it comes to the actual implementation. There can be a lot of work involved, so some attorneys in management may prefer to just continue business as usual. This isn't always the best answer. Refusing to carefully explore new practice areas can sometimes result in attorneys leaving your firm to do it themselves!

Marketing Issues

The actual ability to pursue new practice areas rests on your firm's marketing capabilities. It may be obvious, therefore, that this is the stumbling block for many firms and the point where the whole process comes to a grinding halt.

Without a sound marketing plan and effective implementation, branching into a new practice area is almost sure to fail or to perform below expectations. In fact, it is common for firms to say that their new practice “didn't work” not because it was a bad idea, but because they did not do effective marketing.

Over the course of working with law firms on these programs for over 20 years, we've had excellent results when a systematic, committed approach to developing new practice areas is put in place. Typical questions that we address include:

- Are you expanding into new markets or staying with existing markets?
- Will you be able to sell the services to existing clients?
- How will you obtain the work?
- Will the practice area require significant

ongoing marketing to make it effective?

- Do you have the required networking contacts in place—or will they need to be developed from scratch?
- How much promotion is needed?
- Will the new practice area hinder your positioning in the market?

Of course, this barely scratches the surface of marketing issues that should be addressed. Since marketing can be defined as “everything that your firm does to identify and satisfy the needs of your market,” it is the key component when considering a new practice area. There are a multitude of marketing steps that should be undertaken.

Financial/Billing Issues

A managing partner who I highly respect once commented, “If the finances work, we'll all be happy and everyone will make plenty of money.” The statement sounds simple, but it is so true. He was a great marketing partner who also respected the impact of finances on his firm's success. The firm constantly monitored financial and marketing results and was highly successful on all fronts, from client service to personnel satisfaction to partner compensation.

Years ago I worked in commercial banking and saw many a company that failed due to a lack of financial planning and control systems. Since then, I've worked with many of my clients on financial issues so that their practices can improve profitability. Some of the questions that we ask clients who are looking at new practice areas include:

- What will it cost to start up this practice?
- How long until the practice will be profitable?
- Have you prepared a budget for this practice?
- Are the hourly rates comparable to your firms existing rates?
- If this is contingency work, is it going to be an economic burden?

When it comes to diversifying into new practice areas, the role of financial analysis should never be underestimated.

Plan for Success

As indicated, the above questions are only a few of those that should be considered when evaluating a new practice area. It is usually a good idea to develop a “practice expansion team” to research answers to these and other

questions, and then report back to the management committee. Work with outside consultants in marketing, management, and finance who have experience in practice area expansion. Since they have seen what it takes to successfully launch new practice areas, they can provide added value and insights that your firm's partners likely do not have.

Finally, establish time parameters in making a decision, so that you are able to take advantage of the new practice area opportunity while the market is still ripe for it. You can avoid “paralysis by analysis” through engaging experienced professionals who can help guide your decision-making process.



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